ISSN : 2277- 3622

International Journal of Marketing, Financial Services & Management Research

Volume No. 13
Issue No. 1
January - April 2024

ENRICHED PUBLICATIONS PVT. LTD

JE-18, Gupta Colony, Khirki, Extn, Malviya
Nagar, New Delhi-110017
PHONE : - + 91-8877340707
E-Mail : info@enrichedpublications.com

ISSN : 2277- 3622

International Journal of Marketing, Financial Services & Management Research

Aims & Scope

International Journal of Marketing, Financial Services and Management Research is an academic journal. The journal publishes majorly in the area(s): Public sector & Investment (macroeconomics). It has an ISSN identifier of 2277-3622. Over the lifetime, 160 publications have been published receiving 627 citations.

Topics: Public sector, Investment (macroeconomics), Private sector, Customer retention, Profitability index

ISSN : 2277- 3622

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International Journal of Marketing, Financial Services & Management Research

(Volume No. 13, Issue No. 1, January - April 2024)

Contents

CELEBRITY ENDORSEMENT IN ADVERTISING; CAN IT LEAD TO BRAND LOYALTY IN THE LONG RUN?

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ABSTRACT

The celebrity endorser is a panacea for all marketing woes. It is today a frequently used approach in marketing for all brand building exercises. The star appeal however needs to be perfectly blended intelligently and strategically to reap the benefits and make brands. It serves as an aid to expedite recall and influence purchase. But, this can also be a nightmare unless accompanied by a powerful idea, effective and impeccable positioning. (Khatri P). This research attempts to assess whether celebrity endorsement can translate into brand loyalty, over a period of time. In this way, one would be able to see whether or not celebrity endorsements can positively influence the brand, more specifically, does it lead to brand loyalty in the long run? The cause and effect relationship between celebrity endorsement and brand loyalty is analyzed. The research would also suggest what the impact on brand loyalty is when brands have used a series of different endorsers, over a period of time. Has it hampered brand loyalty or did the consumers' attitude towards the brand remain unchanged? It also explores whether there was a common thread of similarity amidst the various endorsers that promoted the brand. In this way, corporate giants that are seeking to increase customer loyalty towards their brands would be able to make smarter decisions regarding the use of a celebrity endorser in their advertisements.

KEYWORDS: Celebrity endorsement, Advertising, Brand loyalty, Branding, Celebrity.

INTRODUCTION

Celebrities are people who enjoy public recognition by a large share of a certain group of people. Several attributes like attractiveness, extraordinary lifestyle are characteristics within a social group wherein they generally differ from the social norm and enjoy a high degree of public awareness (Schlecht, 2003). Celebrity Endorsement: A Strategic Promotion Perspective special celebrity events ex. filmfare star awards, Videocon screen awards etc. In addition they are present in News, Fashion magazines and tabloids, which provide second source of information on events and private life of celebrities through mass media channels. Last but not the least celebrities act as spokes people in advertising to promote products and services. (Kambitsis et.al., 2002, Tom et.al.1992; Schiffman and Kanuk, 1997). Compared to other endorsers, celebrities achieve a higher degree of attention and recall. They increase awareness of a company's advertising, create positive feelings towards brands and are perceived by consumers as more entertaining (Solomon,2002) .Using a celebrity in advertising is therefore likely to positively affect a customer's brand attitude and purchase intentions.

As advertisers pour crores of rupees every year into celebrity advertising, the question arises; is it worth all the money and the headaches of coordinating stars and managing their tantrums. Can it lead to brand loyalty in the long run? Does it actually help each of the brands? Does the consumer think in categories and slot brands accordingly or is it one big maze of brands and saliency is dependent on 'recency.' Before exploring whether celebrity advertising can lead to brand loyalty, let us understand what goes into celebrity advertising. Interestingly, while celebrity advertising is huge, few agencies actually present celebrity advertising as a solution to client problems. In the advertising world, celebrity advertising is seen as a substitute for 'absence of ideas' -- and actually frowned upon. Yet it appears again and again. The reasons are quite insightful. A client hits upon celebrity as a solution when his agency is unable to present to him a viable, exciting solution for his communication/marketing problem. He then feels that the presence of a well-known face is an easy way out. A client looks at a celebrity solution, sometimes, to follow competition. When attacked with a celebrity, a quick response is to get another one to combat. The result is often, at best, achieving parity. A third, and often unfortunate, reason is a client's desire to rub shoulders with the glitterati. And signing a celebrity is a passport to that. Most frequently, celebrities are given as 'fate accompli' to the agency. And scripts are written around them.

If celebrity advertising has such implications, one cannot help but wonder if it would yield long term benefits like building of brand loyalty. Brand loyalty is a topical issue, with several brands resorting to price cuts across categories. They may attract consumers in the short run: consumers may stock the brands and consumers new to the brand may try it. But over a period of time, a brand's value may get diluted in consumers' psyche, and will eventually lose a strong base of consumers. Hence, let’s try and explore whether celebrity advertising could be a solution that could aid the process of building a loyal base of customers in the long run.

Literature Review

Some properties such as likeability, expertise, trustworthiness and similarity cause a celebrity endorser to become a source of persuasive information and this creates a sense of certainty which has been revealed in earlier studies (Suranaa, 2008; Amos et. al., 2008). Also physical attractiveness of the endorser is considerable in effectiveness of a message (Khatri, 2006). Using of celebrity endorsers to support products is explained by balance theory principles too. According to this theory, successful companies establish an emotional relationship both between the observer and endorser and between endorser and brand (Mowen, 2000). Celebrity endorsement research has revolved around broadly five themes: celebrity attractiveness (Debevec and Kernan, 1984; Kahle and Homer, 1985; Caballero, Lumpkin and Madden, 1989); celebrity meaning transfer (McCracken, 1989; Langmeyer and Walker, 1991; Miciak and Shanklin, 1994; Erdogan, Baker and Tagg, 2001; Choi, Lee and Kim, 2005); celebrity credibility (Klebba and Unger, 1982; Patzer, 1983); celebrity impact on brands and consumers (Ohanian, 1991; Tripp, Jensen and Carlson, 1994; Mathur, Mathur and Rangan, 1997; Shimp and Till, 1998; Erdogan, 1999; Silvera and Austad, 2004); and celebrity product match-up (Kamins, 1990; Misra and Beatty, 1990; Till and Busler, 1998). The realm of the celebrity’s impact is confined to bestow a distinctive identity and provide an effective audio visual to the brand; the celebrity does not have the power to improve or debilitate the efficiency and features of the core product (Kamakura, 1995). The health of a brand can definitely be improved to some extent by celebrity endorsement. But one has to remember that endorsement by a celebrity is a means to an end and not an end in itself (Johnson, 1984). An appropriately used celebrity can prove to be a massively powerful tool that magnifies the effects of a campaign. But the aura of cautiousness should always be there (Mccracken, 1989). The fact to be emphasized is that celebrities alone do not guarantee success, as consumers nowadays understand advertising. They know the nuances of advertising. Customers today realize that celebrities are paid heavily for endorsements and this makes them cynical about celebrity endorsements (Bloemer, Lemmink, 1992). A celebrity is used to impart credibility and aspirational values to a brand, but the celebrity needs to match the product. A good brand campaign idea and an intrinsic link between the celebrity and the message are an absolute must for a successful campaign (Erdogan, 1999). Celebrities are no doubt good at generating attention, recall and positive attitudes towards advertising provided they are supporting a good idea and there is an explicit fit between them and the brand. On the other hand, they are rendered useless when it comes to the actual efficiency of the core product, creating positive attitudes to brands, purchase intentions and actual sales. (Solman, Brown, 2004).Brands have been leveraging celebrity appeal for a long time. Across categories, whether in products or services, more and more brands are banking on the mass appeal of celebrities. As soon as a new celebrity is born, advertisers queue up to them to persuade them to endorse their brand. (Warren, 2007). There are several reasons for such extensive use of celebrities. The reasons for extensive use of celebrities are manifold. Firstly, because of their high profile, celebrities may help advertisements stand out from the surrounding clutter, thus improving their communicative ability. Secondly, they may also generate extensive public relations leverage for brands. Celebrity endorsement advertising strategies can, under the right circumstances, indeed justify the high costs associated with this form of advertising (Alonso, 2006). But it would be presumptuous to consider celebrity endorsement as a panacea for all barricades. Celebrity endorsement if used effectively, makes the brand stand out, helps in brand recall and facilitates instant awareness. To achieve this, the marketer needs to be really disciplined in choice of a celebrity. Hence the right use of celebrity can escalate the Unique Selling Proposition of a brand to new heights; but a cursory orientation of a celebrity with a brand may prove to be claustrophobic for the brand. A celebrity is a means to an end, and not an end in him/her (Mitka, 2008). Brand loyalty has been proclaimed by some to be the ultimate goal of marketing. Brand loyalty consists of a consumer's commitment to repurchase the brand which can be demonstrated by repeated buying of a product or service or other positive behaviors such as word of mouth advocacy. True brand loyalty implies that the consumer is willing, at least on occasion, to put aside their own desires in the interest of the brand (Banasiewicz, 2005). However, Brand loyalty is more than simple repurchasing. Customers may repurchase a brand due to situational constraints, a lack of viable alternatives, or out of convenience. Such loyalty is referred to as "spurious loyalty". True brand loyalty exists when customers have a high relative attitude toward the brand which is then exhibited through repurchase behavior. This type of loyalty can be a great asset to the firm: customers are willing to pay higher prices, they may cost less to serve, and can bring new customers to the firm (Van den Brink, Odekerken-Schröder, Pauwels, 2006).

Most important of all, in this context, is usually the 'rate ' of usage, to which the Pareto 80:20 rule applies. Kotler's `heavy users' are likely to be disproportionately important to the brand. Kotler (2010) has defined the patterns of behavior as follows:

Hard Core Loyals are individuals who buy the same brand all the time

Soft Core Loyals are usually loyal to two or three brands.

Shifting Loyals are those whose loyalty constantly moves from one brand to another.

Switchers are those individuals who have absolutely no loyalty (possibly `deal-prone', constantly looking for bargains or `vanity prone', looking for something different)

It has been suggested that loyalty includes some degree of pre-dispositional commitment toward a brand. Brand loyalty is viewed as multidimensional construct. It is determined by several distinct psychological processes and it entails multivariate measurements. Customers' perceived value, brand trust, customers' satisfaction, repeat purchase behavior and commitment are found to be the key influencing factors of brand loyalty (Moschis, Moore, Stanley, 1984). Commitment and repeat purchase behaviors are considered as necessary conditions for brand loyalty followed by perceived value, satisfaction and brand trust (Amine, Dec98). Consumers buy 'portfolios of brands. They switch regularly between brands, often because they simply want a change. Thus, 'brand penetration' or 'brand share' reflects only a statistical chance that the majority of customers will buy that brand next time as part of a portfolio of brands they favor. It does not guarantee that they will stay loyal to this (Speck, Schumann, Thompson, 1988). Influencing the statistical probabilities facing a consumer choosing from a portfolio of preferred brands, which is required in this context, is a very different role for a brand manager; compared with the - much simpler - one traditionally described, of recruiting and holding dedicated customers. The concept also emphasizes the need for managing continuity. So, is loyalty for life possible? (Chaudhuri, Holbrook, Apr 2001). Erdogan states that celebrity endosers are more effective than noncelebrity endorsers when it comes to generating all desired outcomes.

Reasons for celebrities' endorsements

Celebrity Endorsements act as a credible means of "money burning". This is because there is a world of products the value of which a customer obtains from purchasing any given variety. This could be for reasons of social standing - People want to wear the "right" clothes, drink the "right" beverages and use the "right" fragrances. Specifically a consumer that observes messages of two different firms' products, one product's message containing an endorsement by a celebrity and the other, does not believe that the celebrity endorsed product will have more purchases and so will be of a higher value (Clark & Horstman, 2003). Celebrity endorsement is more likely to be observed for those products having a high price-production cost margin and a large customer base. In short, celebrity endorsements are more typically for nationally marketed products then for local or niche market products and for products such as running shoes, soft drinks and the like for which the price cost margins are apparently large. Promoters of certain products require co-ordination over multiple customer groups - different age, income, education groups or groups in different location. With a product of this sort a common set of advertising messages communicated to all custom is a more effective and coordinates mechanism than messages targeted at separate customer groups with common messages. Since, the celebrity is recognizable globally; it is a low cost way to achieve cross group coordination (Clark & Horstman, 2003)

Endorsement: Risk vs. Returns

The basic assumption underlying celebrity endorsement is that the value associated with the celebrity is transferred to the brand and therefore helps in creating an image that can be easily referred to by the consumers. Consequently by association the brand can very quickly establish the creditability and get immediate recognition thereby lead to an improvement in sales. However, there are many risks associated with such endorsers. The brand could slide down just as quickly as it moved up the consumers mind. There are many cases of brands failing in the market place despite famous celebrities endorsing them.

Risks

a) Celebrity overshadows the brand: Mostly happen in certain cases where the celebrity values and brand values are not closely linked. There are chances that the celebrity is remembered more than a brand. Cyber media research study reveals that 80% of the respondents approached for research remembered the celebrity but could not recall the brand being endorsed.

b) Necessary Evil: Marketers have felt that once the brand is associated with the celebrity it becomes difficult to promote it without the star. There arises a difficulty in trying to separate the role of message and the role of the celebrity in selling the brand. The celebrity activity becomes an addiction and the task to find substitute becomes more and more difficult.

c) Celebrity creditability a question mark for the competent customer: Today's marketing endorsement has to deal with a competitive and knowledgeable customer who has begun to voice his opinion about their perception regarding the endorsement of a brand. The celebrity is said to befool the public as he is

paid to sell and communicate good things about the brand. Hence the question of creditability of the celebrity being chosen to protect the brand is becoming increasingly pertinent.
d) Conflicting Image: A difference between the image of the credibility and the product can lead to serious damages to both. Unless there are synergies between celebrities' own image and that of product category the strategy of endorsement is rendered futile.
e) Multiple Endorsements: The poly endorsement has lead to a celebrity clutter. Celebrities endorsing multiple products and multi brands in a category have left the customer confused and have lead to dilution in the celebrities' value.
f) Influence of Celebrity scandals and moral violation of brands: A number of entertainers and athletes have been involved in activities that could embarrass the companies whose products the endorsed. When the endorser has had a debacle it actually leads to a greater fall in the image for the brand.

Returns

a) Build Awareness: A new brand can benefit greatly if a celebrity endorses it. It can attract the customer's attention and inquisitiveness to see what product is being endorsed. Research has shown consumers have a higher level of message recall for products that are endorsed by celebrities.
b) Connects Emotionally: Some celebrities like Shahrukh Khan, Amitabh Bachan command great adoration among people. Such celebrities can positively influence their fans etc. to a great extent and hence tend to even connect with the brand emotionally because of their star endorsing it.
c) Quick Connect: The communication process tends to hasten up due to the mere presence of a celebrity. This is because the star carrying the message tends to click with the customer more. Because of likeability, attractiveness and creditability of the celebrity it thereby helps the company to effectively and quickly pass on the message to the target customers.
d) Means of Brand differention: The use of a celebrity is a source of brand differentiation. In a product category where brands are suing a celebrity the first brand that picks one up could use it differently itself in the market.
e) Source of Imitation and hence inducing increased product usage: Celebrities' actually tend to become models or idols for the target audience who start using the product just because the celebrity name is attached with it. For instance, Lux has been used by many as it is a beauty soap recommended by the beauty queen, Aishwarya Rai.
f) The use of Better Brand Image: Celebrities' could also bring in positive image among the masses for brand. The credibility and authenticity attached with Amitabh Bachchan has inculcated trust for ICICI, Nerolac Paints and several others.

Conclusion

An assessment of current market situation has indicated that celebrity endorsements and advertising strategies if correctly blended in terms of matching the strengths of the brands with the celebrity's quality indeed justifies the high cost associated with this form of advertising. However, advertising needs to be aware of the complex processing underlying celebrity endorsement by gaining clarity on described concepts of celebrity source, credibility and attractiveness, match-up hypothesis, multiple product endorsement etc. Marketer has to decide how far the benefits outweigh the risks associated. Advertisers agree that celebrity endorsement does not itself guarantee sales. It can create a buzz and make a consumer feel better about the product, which in turn has to come to expectation of customers as a real star by delivering the promise. In fact much research needs to be done on customer testimonials, which tend to induce better creditability and helps in carving the competent, rational, knowledgeable customer of today who is said to be the real hero.We have seen that brands like Pepsi, Coke, Pantene, Head and Shoulders, Nike and L'Oreal have a strong base of loyal customers. It is evident that all these brands have used celebrity endorsers. Celebrity endorsement when in sync with the customers' tastes can, therefore, indeed lead to brand loyalty.

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PERFORMANCE OF NON-PERFORMING ASSETS (NPAS) IN INDIAN COMMERCIAL BANKS

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A B S T R A C T

In India Non-performing assets are one of the major concerns for banks.NPA is the best indicator for the health of the banking industry. NPAs reflect the performances of banks. .NPAs are the primary indicators of credit risk. NPAs are an inevitable burden on the banking industry. Hence the success of a bank depends upon methods of managing NPAs. The Public Sector Banks have shown very good performance over the private sector banks as far as the financial operations are concerned. The Public Sector Banks have also shown comparatively good result. However, the only problem of the Public Sector Banks these days are the increasing level of the non performing assets. The non performing assets of the Public Sector Banks have been increasing regularly year by year. On the contrary, the non performing assets of private sector banks have been decreasing regularly year by year except some years. Generally reduction in NPAs shows that banks have strengthened their credit appraisal processes over the years and increased in NPAs shows the necessity of provisions, which bring down the overall profitability of banks. The Indian banking sector is facing a serious problem of NPA. The magnitude of NPA is comparatively higher in public sectors banks than private sector banks. To improve the efficiency and profitability of banks the NPA need to be reduced and controlled.

KEYWORDS: Gross NPA, Net NPA, public sector banks, private sector banks.

1. Introduction

For any nation, banking system plays a vital role in the development of its sound economy. Banking is an important segment of the tertiary sector and acts as a back bone of economic progress. Banks are supposed to be more directly and positively related to the performance of the economy. Banks act as a development agency and are the source of hope and aspirations of the masses. Commercial banks are the major player to develop the economy. A major threat to banking sector is prevalence of Non-Performing Assets (NPAs). NPAs reflect the performance of banks. A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and net-worth of banks and also erodes the value of the asset. The NPA growth involves the necessity of provisions, which reduces the overall profits and shareholders‟ value (Parul Khanna, 2012).

In present scenario NPAs are at the core of financial problem of the banks. Concrete efforts have to be made to improve recovery performance. The main reasons of increasing NPAs are the target-oriented approach, which deteriorates the qualitative aspect of lending by banks and willful defaults, ineffective supervision of loan accounts, lack of technical and managerial expertise on the part of borrowers (Kamini Rai, 2012).

2. Literature Review

A large number of researchers have been studied to the issue of non performing asset (NPA) in banking industry .A review of the relevant literature has been described as under:- Non Performing Assets engender negative impact on banking stability and growth. Issue of NPA and its impact on erosion of profit and quality of asset was not seriously considered in Indian banking prior to 1991. There are many reasons cited for the alarming level of NPA in Indian banking sector. Asset quality was not prime concern in Indian banking sector till 1991, but was mainly focused on performance objectives such as opening wide networks/branches, development of rural areas, priority sector lending, higher employment generation, etc. The accounting treatment also failed to project the problem of NPA, as interest on loan accounts were accounted on accrual basis (Siraj K.K. and P. Sudarsanan Pillai, 2012). A Committee on Banking Sector Reforms known as Narasimham Committee was set up by RBI to study the problems faced by Indian banking sector and to suggest measures revitalize the sector. The committee identified NPA as a major threat and recommended prudential measures for income recognition, asset classification and provisioning requirements. These measures embarked on transformation of the Indian banking sector into a viable, competitive and vibrant sector. The committee recommended measures to improve "operational flexibility" and "functional autonomy" so as to enhance "efficiency, productivity and profitability" (Chaudhary, S., & Singh, S., 2012).

The main cause of mounting NPAs in public sector banks is malfunctioning of the banks. Narasimham Committee identified the NPAs as one of the possible effects of malfunctioning of public sector banks (Ramu, N., 2009).

It has been examined that the reason behind the falling revenues from traditional sources is 78% of the total NPAs accounted in public sector banks (Bhavani Prasad, G. and Veena, V.D., 2011). An evaluation of the Indian experience in Financial Sector Reforms Published in the RBI Bulletin gives stress to the view that the sustained improvement of the economic activity and growth is greatly enhanced by the existence of a financial system developed in terms of both operational and allocation efficiency in mobilizing savings and in channelizing them among competing demands (G.Rangarajan, 1997).

It has been observed that the current banking Scenario and the need for the policy change, opines that a major concern addressed by the banking sector reform is the improvement of the financial health of banks. The Introduction of prudential norms is better financial discipline by ensuring that the banks are alert to the risk profile of their loan portfolios (S.P.Talwar (1998).

The Reserve Bank of India has also conducted a study to ascertain the contributing factors for the high level of NPAs in the banks covering 800 top NPA accounts in 33 banks (RBI Bulletin, July 1999). The study has found that the proportion of problem loans in case of Indian banking sector always been very high. The problem loans of these banks, in fact, formed 17.91 percent of their gross advances as on March 31, 1989. This proportion did not include the amounts locked up in sick industrial units. Hence, the proportion of problem loans indeed was higher. However, the NPAs of Indian Banks declined to 17.44 percent as on March 31, 1997 after introduction of prudential norms. In case of many of the banks, the decline in ratio of NPAs was mainly due to proportionately much higher rise in advances and a lower level of NPAs accretion after 1992. The study also revealed that the major factors contributing to loans becoming NPAs include diversion of funds for expansion, diversification, modernization, undertaking new projects and for helping associate concerns.

This is coupled with recessionary trend and failure to tap funds in the capital and debt business failure (product, marketing, etc.), inefficient management, strained labour relations, inappropriate technology/technical problems, product obsolescence, recession input/power shortage, price escalation, accidents, natural calamities, Government policies like changes in excise duties, pollution control orders, etc. The RBI report concluded that reduction of NPAs in banking sector should be treated as a national priority issue to make the Indian banking system stronger, resilient and geared to meet the challenges of globalization (Parul Khanna, 2012).

3. Concept of NPA

The Non Performing Asset (NPA) concept is restricted to loans, advances and investments. As long as an asset generates the income expected from it and does not disclose any unusual risk other than normal commercial risk, it is treated as performing asset, and when it fails to generate the expected income it becomes a “Non Performing Asset”. In other words, a loan asset becomes a Non Performing Asset (NPA) when it ceases to generate income, i.e. interest, fees, commission or any other dues for the bank for more than 90 days. A NPA is an advance where payment of interest or repayment of instalment on principal or both remains unpaid for a period of two quarters or more and if they have become „past due". An amount under any of the credit facilities is to be treated as past due when it remain unpaid for 30 days beyond due date.
It is also called as Non Performing Loans. It is made by a bank or finance company on which repayments or interest payments are not being made on time. A loan is an asset for a bank as the interest payments and the repayment of the principal create a stream of cash flows. It is from the interest payments that a bank makes its profits. Banks usually treat assets as nonperforming if they are not serviced for some time. If payments are late for a short time, a loan is classified as past due and once a payment becomes really late (usually 90 days), the loan is classified as non-performing (B.Selvarajan & G. Vadivalagan, 2013). NPA usually refers to non-performing assets and the lenders consider it as those assets that are not fetching benefits to them. The word is not new to the bankers. It is regular but disguised loan asset.. An asset becomes nonperforming when it ceases to generate income for the bank. Prior to 31st March, 2004 a nonperforming asset was defined as a credit facility in respect of which the interest or instalment of principal has remained past due for a specified period of time which was four quarters. Due to the improvements in payment and settlement system, recovery climate, up gradation of technology in the banking system, etc., it has been decided to dispense with past due concept, with effect from March 31st 2004(Chandan Kumar Tiwari & Ravindra Sontakke, 2013).

4. NPAs Classification

NPA have been classified into following four types:-

(i) Standard Assets: A standard asset is a performing asset. Standard assets generate continuous income and repayments as and when they fall due. Such assets carry a normal risk and are not NPA in the real sense.

(ii) Sub-Standard Assets : All those assets (loans and advances) which are considered as non-performing for a period of 12 months.

(iii) Doubtful Assets: All those assets which are considered as non-performing for period of more than 12 months.

(iv) Loss Assets : All those assets which cannot be recovered. These assets are identified by the Central Bank or by the Auditors.

Types of NPA

Gross NPA: Gross NPAs are the sum total of all loan assets that are classified as NPAs as per RBI Guidelines as on Balance Sheet date. Gross NPA reflects the quality of the loans made by banks. It consists of all the nonstandard assets like as sub-standard, doubtful, and loss assets. It can be calculated with the help of following ratio: Gross NPAs Ratio = Gross NPAs / Gross Advances Net NPA: Net NPAs are those type of NPAs in which the bank has deducted the provision regarding NPAs. Net NPA shows the actual burden of banks. Since in India, bank balance sheets contain a huge amount of NPAs and the process of recovery and write off of loans is very time consuming, the banks have to make certain provisions against the NPAs according to the central bank guidelines.
It can be calculated by following: Net NPAs = Gross NPAs – Provisions / Gross Advances – Provisions

5. Analysis of NPAs of public and private sector banks

Source: RBI annual financial report, NPA of public & private sector banks in Table 1.
Comparison of Gross NPAs and Net NPAs of Public Sector & Private Sector Banks

	Public Sector Bank		Private Sector Bank	
Years	Gross NPAs(%)	Net NPAs(%)	Gross NPAs(%)	Net NPAs(%)
2001-02	11.09	5.82	9.64	5.73
2002-03	9.36	4.54	8.08	4.95
2003-04	7.80	3.00	5.85	2.80
2004-05	5.50	2.00	6.00	2.70
2005-06	3.60	1.30	4.40	1.70
2006-07	2.70	1.10	3.10	1.00
2007-08	2.20	1.00	2.30	0.70
2008-09	2.00	0.94	2.36	0.90
2009-10	2.20	1.09	2.32	0.82
2010-11	2.40	1.20	1.97	0.53
2011-12	3.30	1.70	1.80	0.60

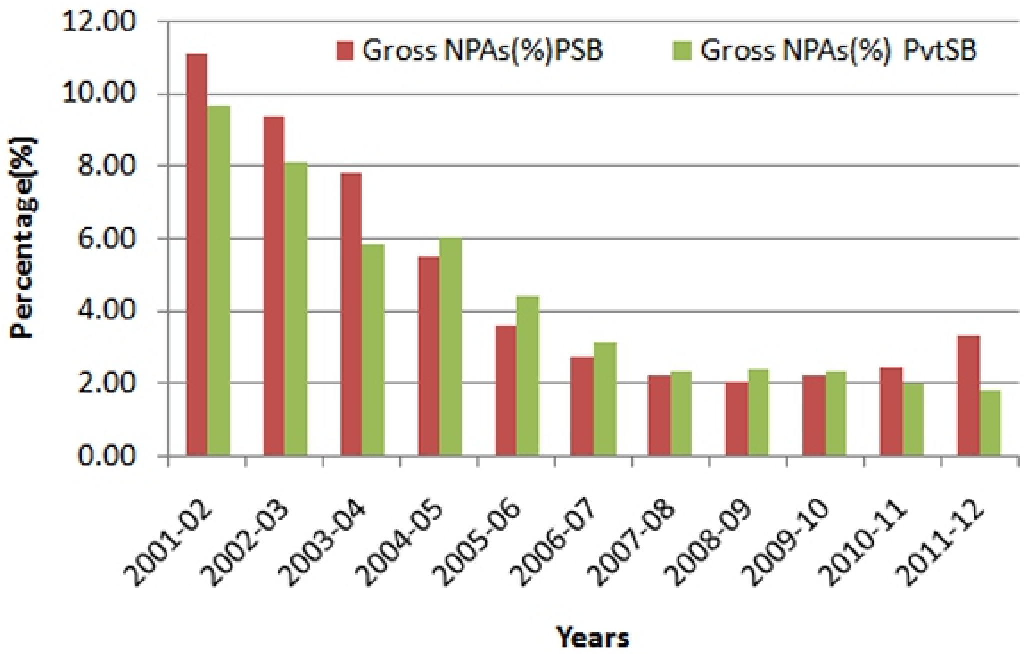

Fig.1 Comparison of Gross NPAs of public and private sector banks

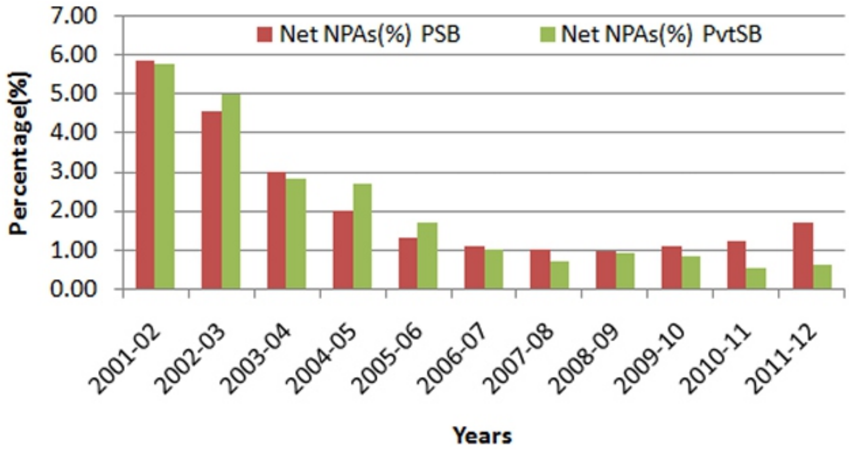

Fig.2 Comparison of Net NPAs of public and private sector banks

The studies have been carried out using the RBI reports on banks (Annual Financial Reports) information /data obtain from banks and discussion with bank officials. The public sector and private sector banks showed a declining trend in gross and net NPAs over the period of study as shown in Table-1 but public sector banks has higher NPA compare to Private sector banks. The reason for it is that private sector banks have a secured loan policy as compared to public sector banks.

It has been observed that gross NPAs as absolute and in percentage terms with gross advances of public sector banks have declined from 11.09% to 2.00% in the period of 200102 to 2008-09, whereas gross NPAs as percentage with gross advances of Private sector banks have declined from 9.64% to 2.30% in the period of 2001-02 to 2007-08 as shown in fig.1. On the other hand net NPAs of public sector banks in absolute and in percentage terms has also come down from 5.82% to 0.94% in the period of 2001-02 to 2008-09.But comparatively in private sector banks net NPAs as absolute and in percentage term to net advances have also come down from 5.73% to 0.70% in the period of 2001-02 to 2007-08 as shown in fig.2. Again gross NPAs of public sector banks in absolute and in percentage terms has started increasing from 2.00% to 3.30% from the period of 2008-09 to 2011-2012 whereas gross NPAs of private sector banks has started declining from 2.30% to 1.80% from the period of 2007-08 to 2011-12 except 2008-09(2.36%) and2009-10(2.32%).On the other side net NPAs of public sector banks in absolute and in percentage terms has increased from 0.94% to 1.70% from 2008-09 to 2011-12. On the contrary net NPAs of private sector banks has declined from 0.70% to 0.60% from 2007-08 to 2011-12 except 2008-09(0.90%) and 2009-10(0.82%). So even after implementation of prudential norms in early nineties and serious concern raised by government about growing size of NPAs, public sector banks paid least attention to all these warnings, which subsequently lead to turning fresh loans of banks into non performing category. So falling ratio of NPAs in terms of advances is not a true indicator of performance of public sector banks in the field of NPAs. In fact, growing size of gross NPAs in absolute form has been real cause of worry.

6. Causes responsible for rising NPAs

The banking sector has been facing the serious problems of the rising NPAs. In fact public sector banks are facing more problems than the private sector banks. The NPAs in public sector banks are growing due to external as well as internal factors. One of the main causes of NPAs in the banking sector is the Directed loans system under which commercial banks are required to supply 40% percentage of their credit to priority sectors (G.V. Bhavani Prasad & D. Veena, 2011).

Most significant sources of NPAs are directed loans supplied to the "micro sector" are problematic of recoveries especially when some of its units become sick or weak. Public sector banks 7 percent of net advances were directed to these units (M. Karunakar et al,2008). Poverty elevation programs like IRDP, RREP, SUME, SEPUP,JRY, PMRY etc., failed on various grounds in meeting their objectives. The huge amount of loan granted under these schemes was totally unrecoverable by banks due to political manipulation, misuse of funds and non-reliability of target audience of these sections. Loans given by banks are their assets and as the repayments of several of the loans were poor, the quality of these assets was steadily deteriorating. In India the scope for branch expansion in rural and semi urban areas is vast and also necessary. Increasingly, NBFCs operating at such places are coming under regulatory pressure and are likely to abandon their intermediation role. These branches find priority sector financing as the main business available especially in rural/semi-urban centers. Operational restructuring of banks should ensure that NPAs in the priority sectors are reduced, but not priority sector lending. This will remain a priority for the survival of banks. Any decisions about insulating Indian banks from priority sector financing should not be reached until full-scale research is undertaken, taking into account several sources including records of credit guarantee schemes.

7. Impact of NPA on the operations of banks

Profitability

NPA means booking of money in terms of bad asset, which occurred due to wrong choice of client. Because of the money getting blocked the prodigality of bank decreases not only by the amount of NPA but NPA lead to opportunity cost also as that much of profit invested in some return earning project/asset. So NPA does not affect current profit but also future stream of profit, which may lead to loss of some long-term beneficial opportunity. Another impact of reduction in profitability is low ROI (return on investment), which adversely affect current earning of bank.

Liquidity

Money is getting blocked, decreased profit lead to lack of enough cash at hand which lead to borrowing money for shortest period of time which lead to additional cost to the company. Difficulty in operating the functions of bank is another cause of NPA due to lack of money.

Involvement of Management

Time and efforts of management is another indirect cost which bank has to bear due to NPA. Time and efforts of management in handling and managing NPA would have diverted to some fruitful activities, which would have given good returns. Now days, banks have special employees to deal and handle NPAs, which is additional cost to the bank.

Credit Loss

If a bank is facing problem of NPA, then it adversely affects the value of bank in terms of market for credit. It will lose its goodwill and brand image and credit which have negative impact to the people who are putting in their money in the banks (C.S. Balasubramaniam, 2011).

8. Measures to Control NPAs

In present scenario NPAs are at the core of financial problem of the banks. Concrete efforts have to be made to improve recovery performance. Measures required to be undertaken are mainly two fold. Banks should make efforts first to avoid fresh addition on NPAs by their effective presentation appraisal and secondly to recover the amount from accounts which have already turned bad.

Preventive Measures: Most of the bankers feel that genuine viability problem of the borrowing units, weakness in credit appraisal system, absence of effective monitoring and supervision of loan account, absence of credit information sharing among the banks etc. are some of the significant causative factors of high level of NPAs internal to the banks.

So for preventive the fresh inflow of funds into the non-performing category, banks should reformulate their credit appraisal techniques.

Proper evaluation of the loan application may help in detecting the unviable projects at the first instance.

Full information about unit, industry, its financial stake, management etc. should be collected.

Industrial cell should be established at the bank level, which would have complete information about the industry and its prospects in future.

Proper credit monitoring should be equally emphasized. There should be proper flow of information from the units regarding their financial area, annual accounts, stock reports etc., which would enable the banker to know the need based credit requirement of borrower and warning signals for taking quick remedial action.

Banks should inspect the progress of the project or the business. Separate monitoring department should be established in large branches for periodical review of accounts, comparative risk analysis and compliance of terms and conditions of sanction. Equal emphasis should be given for monitoring of standard assets also.

Banks should be equipped with latest credit risk management techniques to protect the bank funds and minimize insolvency risks. Banks should develop credit derivatives markets to avoid these risks. There should be regular outflow of senior bank officers from all public sector banks for specialized training in training institute to equip them with latest procedures and practices.

Curative Measures: Besides making efforts to stop the fresh additions of NPAs banks have to take steps to recover the amount from assets, which have already slipped into NPAs category. Significant causative factors highlighted were slow recovery of legal cases, wilful default induced by officially announced loan waiver schemes etc. the Indian legal system is sympathetic towards the borrowers and works against the banks interest.

Despite most of their loans being backed by security, banks are unable to enforce their claims on the collateral, when the loans turn non-performing and therefore loan recoveries have been insignificant.

The Narshimham Committee on financial system (1991) has recommended the establishment of Debt Recovery Tribunals (DRT) for the speedy recovery of the assets from NPAs category. On the basis of recommendations 22 DRTs were established by passing the bill on Recovery of Debt due to Banks and Financial Institutions Act 1993. But the performance of DTRs for the past years has not been found satisfactory or up to the mark.

The Act has some limitations, which must be removed to make its effective implementation.

At present one presiding officer is handling at least 80-90 cases per day. It is suggested that DRT Act may be amended to enable the central government to appoint additional presiding officers for speedy disposal of recovery cases.

One of the major factors accounting for delay in disposing of application by DRT is the delay caused due to refusal by defendants to accept the summons, and at times due to change in address too.

DRT may be empowered to order service of summons by hand, registered post and by publications simultaneously. Attachment of immovable property of borrower is not admitted due to service of summons.

Enforcement of security and obtaining court decree take unduly long time, it encourages wilful default and ultimately the banks may be compelled to write off loans. Wilful default should be declared a criminal offence.

Government should not go for mass waiver of interest/ instalments as it sends unhealthy signals to the borrower. During 1990-91 there was a massive waiver of rural debt amounting to over Rs. 15000 crore and Rs. 65000 crore in 2008. These types of activities put a premium on wilful default and dishonesty. It lowers the repayment ethics.

In case of government sponsored schemes government should assist in recovery. It may be noted that suggestions enumerated will go a long way in reducing the NPAs. This will only considerably improve the profitability of the banks, improve the quality of assets, but also make the Indian "Banking system stringent, resilient and geared to meet the challenges of globalisation (Mohan Kumar & Govind Singh, 2012).

9. Conclusion

NPAs reflect the overall performance of the banks. The NPAs have always been a big worry for the banks in india.The Indian banking sector faced a serious problem of NPAs. . A high level of NPAs suggests high probability of a large number of credit defaults that affect the profitability and liquidity of banks. The extent of NPAs has comparatively higher in public sectors banks. To improve the efficiency and profitability, the NPAs have to be scheduled. Various steps have been taken by government to reduce the NPAs. It is highly impossible to have zero percentage NPAs. But at least Indian banks should take care to ensure that they give loans to creditworthy customers.

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THE IMPORTANCE OF INTERNATIONAL TRADE IN THE WORLD

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ABSTRACT

The importance of international trade in the world has been widely studied and also examines the role of international trade in the various issues. Mainly my paper focussed on the relationship between Economic Development and international trade, disadvantages of international trade also discussed. International trade is an activity of strategies importance in the development process of a developing economy. International specialization means that different countries of the world specialize in producing different goods. Trade policy formulation and implementation covering issues such as tariffs, incentives, quotas, taxes, customs and administration, subsidies, rules of origin, public procurement regimes, aid and investment, export promotion, trade facilitation and diversification. The role of foreign trade in achieving a quicker pace of economic development is thus well recognized. Hence, planning of foreign trade cannot be divorced from the strategy of overall development. The disadvantage of international trade is that the welfare of the people in nations that produce goods and services is sometimes ignored for the sake of profits. In conclusion it can be said that, international trade leads to economic growth provided the policy measures and economic infrastructure are accommodative enough to cope with the changes in social and financial scenario that result from it.

KEYWORDS: International Trade, Economic Development, Disadvantages, Economic Growth.

INTRODUCTION

In the modern world, there is mutual interdependence of the various national economies. Today it is hard to find the example of a closed economy. All economies of the world have become open. But the degree of openness varies from one country to another. Thus, in the modern world no country is completely self-sufficient. Self-sufficiency, in the sense used here, means the proportion of the goods and services consumed to their total output produced with in a country. But the degree of self-sufficiency varies from one country to another. Equally important are the roles of the regional and international specialization. Regional specialization means that various regions or areas in a country specialize themselves in the production of different products. International specialization means that different countries of the world specialize in producing different goods. Factors which determine regional specialization are more or less the same as those which determine international specialization. A country which produces surplus of a good, i.e produces more than its requirements, will export it to other countries in exchange for the surplus produces of those countries.

Objectives:

1. To study the importance of International Trade in the World.
2. To examine the relationship between International Trade and Economic Development.
3. To evaluate the disadvantages of International Trade.

Foreign Trade:

"Trade is essentially an international transformation of commodities, inputs and technology which promotes welfare in two ways. It extends the market of a country‟s output beyond national frontiers and may ensure better prices through exports. Through imports, it makes available commodities, inputs and technology which are either not available or are available only at higher prices, thus taking consumers to a higher level of satisfaction. The foremost principle of foreign trade, viz., „the law of comparative costs‟, signifies that what a country exports and imports is determined not by its character in isolation but only in relation to those of its trading partners. According to Samuelson "Foreign Trade offers a Consumption possibility frontier that can give us more of all goods than can own domestic production possibility frontier. The extension of foreign trade, according to Ricardo "will very powerfully contribute to increase the mass of commodities, and therefore, the sum of enjoyments". This will be true for each trading nation. In modern terminology, "trade is a p positive sum game". Under developed countries are concerned with their international trade position, because for all of them, international trade position, because for all of them, international trade-how, skills, capita, machinery and implements which are essential for their economic development.

The Need of International Trade:

There is always a need for because the countries have different capabilities and they specialize in producing different things. To compensate for what they don‟t produce, then have to involve trade with other countries. For ex: not all the countries have oil resources, the rest of the countries import oil from the oil producers. Most of the oil producers on the other hand import finished goods because, they don‟t produce enough. So in the modern world no country is completely self-sufficient. Thus International Trade is very important for all the countries in the world. The importance of International Trade: Economics deals with the proper allocation and efficient use of scarce resources. International Trade is also concerned with allocation of economic resources among countries. Such allocation is done in the world markets by means of international trade under the concept of free trade, the best products are produced and sold in competitive market, and benefits of efficient production like better quality and lower price are available to all people of the world.

One fundamental principle international trade is that one should buy and services from a country which has the lowest price and sell his goods and services to a country which has the highest price. This is good for buyers and sellers and also the developed countries have the opportunities to accelerate the pace of their economic development. They can import machines and adapt foreign technology. They can send their scholars and technocrats to more progressive countries to gain more knowledge and skills which are relevant to the particular needs of their developing economies. In the final analysis, no country in the world can be economically independent without a decline in its economic growth. Even the richest countries buy raw material for their industries from the poorest countries. If every country produces only for its own needs, the production and consumption of goods would be limited. Clearly, such situation hampers economic progress. Furthermore, the standard of living of the people all over the world would have no chance to improve. Because of internal trade, people with money can acquire goods and services which are not available in their own countries. Hence satisfaction of consumers can be maximized.

International Trade is that kind of trade that give s rise to the economy of the world. In this the demand and supply and the prices are affected by the global; events. Global trading provides countries and consumers the chance to be exposed to those services and goods that are not available in their own country. Clothes, food, stocks, wines, spare parts etc and many more products have international market. Trading of services is also done like: banking and transportation tourism. The goods and services that are bought from the global market are called imports and the goods and services that are sold in the overseas marked are called exports. Exports and Imports are recorded in a country‟s of BOP (current Account). International trading lets the developed countries use their resources effectively like technology, capital and labour. As many of the countries are gifted with natural resources and different assets (labour, technology, land and capital) they can produce many products more efficiently. Sell at cheaper prices than other countries. A country can obtain an item from another country if it can‟t effectively produce it within the national boundaries. This is the specialty of international trade. Global trading allows the different countries to participate in global economy encouraging the foreign direct investors. These individuals invest their money in the foreign companies and other assets. Hence, the countries can become competitive global participates. International Trade has exerted a profound influence on the economic growth of a country. It has been observed that with the opening up of the economy and liberalization of trade restrictions, the developing countries, especially India and China, have grown over the years. International Trade has positively influenced the economic growth of a country in the following ways:

International trade injects global competitiveness and hence the domestic business units tend to become very efficient being exposed international competition. Due to the integration with the world economy the entrepreneurs can have easy access to the technological innovations. They can utilize the latest technologies to enhance their productivity.

The developing countries have higher trade protectionism measures as compared to the developed countries. The countries that have adopted such measures are seen to reap the benefits of an open trade regime.

The products that are labour intensive like clothing, footwear, textiles etc are exported by the developing countries to both developed and underdeveloped countries. Such exports earn heavy tax revenue in countries like Mexico, India, China and many more.

International Trade has also brought in a reduction in the poverty level. India was a closed economy in the 1960s and 70s. There was not even 1% decline in the poverty level. The entire scenario changed with globalisation and international trade. According to Prof. Jagadish Bhagwati the reduction in the poverty level is due to a pull up rather than a trickledown effect. The economic growth brought about by international trade can generate financial resources. Such resources can be used to set up anti poverty programs. Better education and health facilities can also be provided to the poor.

The exclusion of all types of trade barriers in the agricultural products of the developed countries will lead to a decline and rise in production and world prices respectively. The developing countries profit by selling or exporting these products at escalated world prices.

International trade and Economic Growth :

The issues of international trade and economic growth have gained substantial importance with the introduction of trade liberalization policies in the developing nations across the world. International trade and its impact on economic growth crucially depend on globalization. As far as the impact of international trade on economic growth is concerned, the economists and policy makers of the developed and developing economies are divided into two separate groups.

One group of economists is of the view that international trade has brought about unfavourable changes in the economic and financial scenarios of the developing countries. According to them, the gains from trade have gone mostly to the developed nations of the world. Liberalization of trade policies, reduction of tariffs and globalization have adversely affected the industrial setups of the less developed and developing economies. As an aftermath of liberalization, majority of the infant industries in these nations have closed their operations. Many other industries that used to operate under government protection found it very difficult to compete with their global counterparts.

The other group of economists, which speaks in favour of globalization and international trade, come with a brighter view of the international trade and its impact on economic growth of the developing nations. According to them developing countries, which have followed trade liberalization policies, have experienced all the favourable effects of globalization and international trade. China and India are regarded as the trend-setters in this case.

There is no denying that international trade is beneficial for the countries involved in trade, if practiced properly. International trade opens up the opportunities of global market to the entrepreneurs of the developing nations. International trade also makes the latest technology readily available to the businesses operating in these countries. It results in increased competition both in the domestic and global fronts. To compete with their global counterparts, the domestic entrepreneurs try to be more efficient and this in turn ensures efficient utilization of available resources. Open trade policies also bring in a host of related opportunities for the countries that are involved in international trade. However, even if we take the positive impacts of international trade, it is important to consider that international trade alone cannot bring about economic growth and prosperity in any country. There are many other factors like flexible trade policies, favourable macroeconomic scenario and political stability that need to be there to complement the gains from trade.

There are examples of countries, which have failed to reap the benefits of international trade due to lack of appropriate policy measures. The economic stagnation in the Ivory Coast during the periods of 1980s and 1990s was mainly due to absence of commensurate macroeconomic stability that in turn prevented the positive effects of international trade to trickle down the different layers of society. However, instances like this cannot stand in the way of international trade activities that are practiced across the different nations of the world.

Economic Development and Trade

Developing countries are increasingly driving the performance of the world economy. Trade between developing countries is becoming as important as trade between them and developed economies. Moreover by growing their domestic market and pursuing regional economic integration developing countries can diversify their production away from their traditional export markets in Europe and North America.

Economic growth depends upon enhancing productivity (of labour, capital, land and knowledge); a stable and conducive policy environment; and strong incentives for investment by individuals and businesses. For developing countries the major barriers to growth are:

regulatory, informational and coordination failures that hamper the efficient operation of markets;

Poor conditions for private sector investment (poor governance, lack of infrastructure, etc.);

limited financial services with lack of access to credit for small businesses that holds back production;

poverty which restricts the growth of internal consumer demand and encourages a large informal sphere; and

Difficulty in accessing international markets (technical barriers to trade, protectionist measures, etc.).

HTSPE has been involved in many aspects of economic development and trade facilitation - from WTO negotiations and accession, through to investment promotion and enterprise competitiveness. We have the skills and ability to help governments develop and deliver on policy, and private sector companies to develop their markets. Our approach is a practical one, enabling clients to maximise the opportunities available to them. We are committed to providing hands-on training and capacity building to enable clients to promote economic development and engage with the international trade architecture beyond the life-time of the project. Specifically, HTSPE supports governments, communities and the private sector with:

Trade policy formulation and implementation covering issues such as tariffs, incentives, quotas, taxes, customs and administration, subsidies, rules of origin, public procurement regimes, aid and investment, export promotion, trade facilitation and diversification.

Export market development – at a regional and international level, including specific expertise on access to the Single European Market.

Investment promotion, identifying the investment needs of a country, region, or business sector, and the design and implementation of strategic investment promotion programmes.

International competitiveness enhancement, including components such as: business and regulatory procedures; infrastructure; training and human resource development; improved access to markets and information; manufacturing and quality standards; the capabilities and effectiveness of export support organisations.

Global market research and studies, undertaking complex market research assignments on a world-wide basis on the binding constraints to inclusive growth.

Regional economic development - from the actual creation of Regional Development Agencies, enterprise centers and business incubators and providing institutional support, to the provision of advice to enterprises in the region with the aim of stimulating the economy through growth and job creation measures.

According to Krugman "efficient employment of the production forces of the world is a direct economic advantage of foreign trade. In recent years international trade acts as a dynamic force which by increasing the extent of the market and the scope of the division of labour, permits a greater use of machinery, stimulates innovations, overcomes technical indivisibilities raises the productivity of labour and generally enables the trading country to enjoy increasing return and economic development."

Professor Ballasa puts the idea more succinctly "the export trade helps considerably in the importance of technical knowhow and skills which is an indispensable source of technological progress. It provides an opportunity to learn from the achievements and the failure of the advanced countries. By selective judicious borrowing and adaptation, it acts as an excellent stimulus for speedy economic development".

Developing countries like India with a large and growing industrial infrastructure need imports of capital equipment and critical raw materials and hence foreign trade is important.

Foreign Trade is now an integral part of international relations and it provides crucial foreign exchange reserves which would contribute to the greater efficiency in resources use, better technology and better quality and so on. Internationalization of production, trade marketing, information research and analysis, technology transfer, human resource development has now reached a unprecented level of intensity.

In this find state of the world economic scene, India‟s external trade sector should rise to the opportunity of making the best use of the potentialities and beware of the pitfalls and bottlenecks. Since exports will have to play a very significant role in the coming years, the export strategy should be designed on a more comprehensive and integrated framework than the one which is adopted at present. According to classical economists international trade acts as an engine of growth. Exports stimulate growth by augmenting factor incomes and thereby raising demand which in turn stimulate technological change and productivity improvement in the economy.

According to Tyler and Attri countries that have increased their exports rapidly have also achieved a relatively rapid growth of real income. Marxist writers view the expansion of international trade as immersing the developing countries. They maintained that a international trade is based on unequal exchange resulting from decling terms of trade for the developing countries. In today‟s world no nation exists in economic isolation. All aspects of a nation‟s economy, its industries, and service sectors, level of income and employment and living standards are linked to the economies of its trading partners. International trade helps to keep prices down through imports gives access to latest technology and ideas, development of more efficient methods and new products, a better allocation of resources, pressure of competition for export market, competitive pressure from imports. Although free trade is often strongly advocated, many countries believe that the expansion in trade is best accomplished through the establishment of Regional Economic Association (REA). For many countries the process of growth and development is closely linked to a shift from primary products to industry. Development countries have debated the merits of two competing strategies for industrialization 1) an inward looking strategy (import substitution) in which industries are established largely to support the domestic market and foreign trade is assigned negligible importance and 2) an outward looking strategy (export led growth) of encouraging the development of industries in which the country enjoys comparative advantage with heavy reliance on foreign nations as purchasers of the increased production of exportable goods. Both policies have advantages and disadvantages. However, the trend in most development countries is to adopt the policy of export led growth which would:

1. Encourage industries that are likely to have a comparative advantage such as labour intension manufactured goods.
2. Provide a larger marked in which to sell and hence domestic manufacturers (have greater scope for exploiting economies of scale and finally).
3. Maintain few restrictions on imported goods which would impose a competitive discipline on domestic firms that forces them to increase efficiency.

Foreign trade occupies a place of strategic importance in the context of economic development of developing societies. It constitutes the life line of the Indian economy. The need for foreign exchange, so urgently felt by a developing country, may be met from various sources like foreign official grants, aid and loans, private flows and exports. But the quantum, quality and timing of these grants and aids are dependent on several factors some of which are political. Besides aid and loans carry with them high servicing charges and repayment obligations.

Infact, trade is preferable to aid as it “could evoke dynamic responses to competitive opportunities that would reinforce the growth process and so be more fruitful in the long run than aid”. “Thus the only dependable source of foreign exchange for a developing country is export earnings. In the context of the need to strive for economic development, development of export trade and expansion importance.

The role of foreign trade in achieving a quicker pace of economic development is thus well recognized. Hence, planning of foreign trade cannot be divorced from the strategy of overall development.

Ex: India's trade usually last two decades, a faster growth rate than GDP growth. Since 1991, especially with liberalization, India's economy has boosted the importance of international trade. As a result of international trade to GDP ratio has gone from 14 percent in 1980, in the late 1990s to about 20 percent. Given the trends of globalization and liberalization to the openness of Indian economy is expected to grow further in the coming two decades. In 2020 India's trade and more precise magnitude of India's national income ratio will be determined by a variety of factors.

Disadvantages of International Trade:

Disadvantages of international trade span from negative social effects to adverse environmental ramifications. Sometimes the welfare of people is ignored or jeopardized for the sake of profit. Other problems associated with the exchange of goods and services between nations include possible risky dependence on foreign nations and domestic job losses.

There are social disadvantages of international trade. Although exposure to other cultures can be a benefit, it can also be harmful. The types of goods and services that flow from developed nations to emerging nations can have rapid and significant negative effects on their cultures. For example, certain music or movies from a nation such as the United States cannot be sold in their original form, and sometimes not at all, in some other nations where culture or religion are prioritized because of the changes in mentality and behavior that they may incite.

Another of the disadvantages of international trade is that the welfare of the people in nations that produce goods and services is sometimes ignored for the sake of Those profits generally benefit only a minority, and that minority may not even be citizens of the nation that they are exploiting. It is common in third world countries to find that people are required to work under unfair circumstances, which may include being paid low wages or subjected to unhealthy occupational environments.

Even if there is not an issue with adverse treatment, it is still common to find that goods and services can be produced more cheaply in emerging countries. When these countries are allowed to access large markets, it can result in job losses and the collapse of industries in the developed countries because they are no longer able to be competitive.

International trade can also result in destruction and exhaustion of natural resources. Some countries are so desperate for revenue or so profit-driven that they will allow their natural resources to be over-exploited, which can create serious problems in the future. This is often exacerbated by the fact that the entities who are engaged in the task of extracting those resources or producing goods from them may do so in a way that creates substantial environmental damage. In some cases, there are limited or no resources to address these issues afterward.

Those nations with small economies are often heavily dependent on their trading partners in developed nations. It is not uncommon to find that those developed nations will attempt to exploit these relationships. They do so by using their economic power to influence political decisions that are not directly related to their trade activities. Furthermore, disadvantages of international trade result from the reliance that countries have on one another. When one nation knows that it is the source of all or a significant portion of materials or services for another nation, the supplying nation can impose embargoes or other difficult trade restrictions if differences arise or simply for financial gain.

Conclusion

In conclusion it can be said that, international trade leads to economic growth provided the policy measures and economic infrastructure are accommodative enough to cope with the changes in social and financial scenario that result from it. In order to face the cross border competition challenges, a well functioning, national competition regime is insufficient and also there is problem with developing countries that they lack the resources or experience to tackle international competition challenges. Although there is provision of extra territorial jurisdiction in competition law but that also has a limited capability. Due to this some countries have entered in bilateral or regional treaties to solve these types of problems. But these treaties have limited impact. As a result the anti competitive practices across the border can be best dealt with multilateral framework. Many steps were taken at international level e.g. this issue was discussed in UNCTAD, WTO, and OECD. The competition authorities of different countries have come together to promote International competition network. There is need of pushing other international agreement on cooperation on competition.

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A STUDY ON THE PERFORMANCE OF INSURANCE COMPANIES IN ETHIOPIA

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ABSTRACT

Profitability is one of the most important objectives of financial management because one goal of financial management is to maximize the owner`s wealth. This paper examined the effects of firm specific factors (age of company, size of company, volume of capital, leverage ratio, liquidity ratio, growth and tangibility of assets) on profitability proxied by Return on Assets. Profitability is dependent variable while age of company, size of company, volume of capital, leverage liquidity ratio, growth and tangibility of assets are independent variables. The sample in this study includes nine of the listed insurance companies for nine years (20032011). Secondary data obtained from the financial statements (Balance sheet and Profit/Loss account) of insurance companies, financial publications of National Bank of Ethiopia are analyzed. From the regression results; growth, leverage, volume of capital, size, and liquidity are identified as most important determinant factors of profitability hence growth, size, and volume of capita are positively related. In contrast, liquidity ratio and leverage ratio are negatively but significantly related with profitability. The age of companies and tangibility of assets are not significantly related with profitability.

KEYWORDS: Factors, Growth, Insurance Companies, Profitability, Tangibility of Assets.

INTRODUCTION

The role of financial institutions in the economy of a country in general and insurance companies in particular and it means their efficient and effective financial system through savings mobilization, risk transfer and intermediation. Therefore, financial institutions, channel funds and transfers risks from one economic unit to another economic units so as to facilitate trade and resources arrangement. Recent research, as surveyed by Naveed et al (2011), shows that the efficiency of financial intermediation and transfer of risk can affect economic growth while at the same time institutional insolvencies can result in systemic crises which have unfavorable consequences for the economy as a whole. Hence, the important role that financial institutions such as insurance companies remain in financing and insuring economic activity and contribute to the stability of the financial system in particular and the stability of the economy of concerned country in general is part of immune and repair system of the economy. Therefore it requires empirical investigation so as to sort out what are the important factors affecting profitability of insurance companies and this will help concerned bodies to focus on the relevant factors. Hence the efficient performance of the institutions has become important and investigations by different researchers focus on what factors determine the performance especially the financial performance of the sector.

EVOLUTION OF INSURANCE COMPANIES IN ETHIOPIA

The history of insurance service is as far back as modern form of banking service in Ethiopia which was introduced in 1905. At the time, an agreement was reached between Emperor Menelik II and a representative of the British owned National Bank of Egypt to open a new bank in Ethiopia. Similarly, modern insurance service, which were introduced in Ethiopia by foreigners, mark out their origin as far back as 1905 when the bank of Abyssinia began to transact fire and marine insurance as an agent of a foreign insurance company. According to a survey made in 1954, there were nine insurance companies that were providing insurance service in the country. With the exception of Imperial Insurance Company that was established in 1951, all the remaining of the insurance companies were either branches or agents of foreign companies. In 1960, the number of insurance companies increased considerably and reached 33. At that time insurance business like any business undertaking was classified as trade and was administered by the provisions of the commercial code.

According to Hailu Zeleke (2007), the first significant event that the Ethiopian insurance market observation was the issuance of proclamation No. 281/1970 and this proclamation was issued to provide for the control & regulation of insurance business in Ethiopia. Consequently, it created an insurance council and an insurance controller's office, its strange impact in the sector. The controller of insurance licensed 15 domestic insurance companies, 36 agents, 7 brokers, 3 actuaries & 11 assessors in accordance with the provisions of the proclamation immediately in the year after the issuance of the law. Accordingly as stated by the office mentioned above, the law required an insurer to be a domestic company whose share capital (fully subscribed) not to be less than Ethiopian Birr 400,000 for a general insurance business, Birr 600,000 in the case of long-term insurance business and Birr 1,000,000 to do both long-term & general insurance business. The proclamation defined 'domestic company' as a share company having its head office in Ethiopia and in the case of a company transacting a general insurance business at least 51% and in the case of a company transacting life insurance business, at least 30% of the paid-up capital must be held by Ethiopian nationals or national companies.

After four years that is after the enactment of the proclamation, the military government that came to power in 1974 put an end to all private enterprises. Then all insurance companies operating were nationalized and from January 1, 1975 onwards the government took over the ownership and control of these companies & merged them into a single unit called Ethiopian Insurance Corporation. In the years following nationalization, Ethiopian Insurance Corporation became the sole operator. After the change in the political environment in 1991, the proclamation for the licensing and supervision of insurance business heralded the beginning of a new era. Immediately after the enactment of the proclamation in the 1994, private insurance companies began to increase.

REVIEW OF LITERATURE

Renbao Chen et.al (2004) stated in their investigation that “higher profits provide both the means (greater availability of finance from retained profits or from the capital market) and the incentive (a high rate of return) for new investment”. Therefore, we can understand from the above explanation that insurance companies have double responsibility: in one way they are required to be profitable so as to have high rate of return for new investment. On the other hand, insurance companies need to be profitable in order to be solvent enough so as to make other industries in the economy as they were before even after risk occurred.

Profitability is one of the most important objectives of financial management because one goal of financial management is to maximize the owner` s wealth and profitability which in turn indicates better financial performance. According to Hafiz Malik (2011) insurance plays a crucial role in fostering commercial and infrastructural businesses. From the latter perspective, it promotes financial and social stability; mobilizes and channels savings; supports trade, commerce and entrepreneurial activity and improves the quality of the lives of individuals and the overall wellbeing in a country.

THE CONCEPT OF PROFITABILITY

William H. Greene and Dam Segal (2004) argued that the performance of insurance companies in financial terms is normally expressed in net premium earned, profitability from underwriting activities, annual turnover, return on investment, return on equity. These measures could be classified as profit performance measures and investment performance measures. However, most researchers in the field of insurance and their profitability stated that the key indicator of a firm's profitability is ROA defined as the before tax profits divided by total assets. Philip Hardwick and Mike Adams (1999), Hafiz Malik (2011) are among others, who have suggested that although there are different ways to measure profitability it is better to use ROA.

DETERMINATES OF PROFITABILITY IN INSURANCE COMPANIES: AN EMPIRICAL REVIEW

Profitability in insurance companies could be affected by a number of determining factors. These factors, as explained above could be further classified as internal, industry, and macroeconomic factors. However, as will be discussed in the coming consecutive sections of the review, in most literatures, profitability with regard to insurance companies usually expressed in as a function of internal determinants. Rather, most researches concerning determinants of profitability in insurance companies are divided in to two, such as determinants of profitability in property/liability or general insurance companies and in life/health insurance companies.

According to Yuqi Li (2007) financial institutions' non-financial statements variables are classified as management quality, efficiency and productivity, age and number of branches. Most researches concerning insurance companies are conducted with respect to only financial statement variables. Hence, newly established banks are not particularly profitable in their first years of operation, as they place greater emphasis on increasing their market share, rather than on improving profitability Athanasoglou et al., (2005). Similarly, Yuqi li (2007) indicate that older banks expected to be more profitable due to their longer tradition and the fact that they could build up a good reputation. Obviously, the above empirical studies those include age as one of their explanatory determinant indicates a positive relationship between age and profitability.

According to Athanasoglou et al., (2005) the effect of a growing size of a bank on profitability has been proved to be positive to a certain extent. Consequently, a positive relationship is expected between size and profitability by many insurance area researchers.

However, for firms that become extremely large, the effect of size could be negative due to bureaucratic and other reasons Yuqi Li (2007). Hence, the size-profitability relationship may be expected to be non-linear. Therefore most studies use the real assets in logarithm and their square in order to capture the possible non-linear relationship.

Renbao Chen and Rie Ann Wong (2004) stated that leverage beyond the optimum level could result in higher risk and low value of the firm. Empirical evidences with regard to leverage found to be statistically significant relationship but negative. The relationship between leverage and profitability has been studied extensively to support the theories of capital structure and argued also that insurance companies with lower leverage will generally report higher ROA, but lower ROE. Since an analysis for Return on Equity (ROE) pays no attention to the risk associated with high leverage.

Studies conducted in different countries found that for non-life insurance companies, size of capital is one of the important factors that affect ROA; Hafiz Malik (2011) examined the relationship between

volume capital and return on asset for Pakistan insurance industry and found positive and statistically significant relationship between insurance capital and profitability. Tangibility of assets in insurance companies in most studies is measured by the ratio of fixed assets to total assets.
A study by Naveed Ahmed et.al... (2011) investigates the impact of firm level characteristics on performance of the life insurance sector of Pakistan over the period of seven years. For this purpose, size, profitability, age, risk, growth and tangibility are selected as explanatory variables while ROA is taken as dependent variable. The results of Ordinary Least Square (OLS) regression analysis revealed that leverage, size and risk are most important determinant of performance of life insurance sector whereas ROA has statistically more of insignificant relationship with, tangibility of assets. However, Hafiz Malik (2011) found that there exists a positive and significant relationship between tangibility of assets and profitability of insurance companies and argued that the highest the level of fixed assets formation, the older and larger the insurance company is. In contrast to this, Yuqi Li (2007) in UK found no significant relationship between tangibility of assets and profitability of insurance companies.
Most literatures focus on factors affecting profitability of banks rather than insurance companies. Therefore, there are fewer literatures concerning insurance companies as compared to banks. The existing literatures concerning insurance companies could be classified into two: determinants of financial performance of life and non-life insurance companies. Empirical evidences regarding determinants of insurance companies focused only on internal factors such as age, size, leverage, growth, volume of capital, tangibility of assets and liquidity. The results found by the researchers mentioned above in the empirical revealed inconsistencies according to the country in which the research is conducted regarding some variables.

STATEMENT OF THE PROBLEM

The best performance of any industry in general and any firm in particular plays the role of increasing the market value of that specific firm coupled with the role of leading towards the growth of the whole industry which ultimately leads to the overall success of the economy.
Measuring the performance of financial institutions has gained the relevance in the corporate finance literature because as intermediaries, these companies in the sector are not only providing the mechanism of saving money and transferring risk but also helps to channel funds in an appropriate way from surplus economic units to deficit economic units so as to support the investment activities in the economy.
The insurance industry in particular is part of immune and repair system of an economy and successful operation of the industry can set energy for other industries and development of an economy. To do so the insurance industry is expected to be financially solvent and strong through being profitable in operation. Hence, not only measuring the financial performance of insurance companies but also clear insight about factors affecting financial performance in the industry is then the problem to be investigated. Therefore, the determinants of insurance company’s performance have attracted the interest of academicians, practitioners and institutional supervisors.
The absence of empirical studies in Ethiopia concerning determinants of insurance companies’ profitability is then what motivated the researcher to put his own contribution on what factors affect the financial performance of insurance companies. While taking in to consideration the absence of empirical inquiry into the factors affecting insurance companies’ financial performance, the researcher attempts to work on such untouched empirical evidence in the country. Hence, these are important issues to be investigated for the insurance managers, professionals, regulators and policy makers to support the sector in achieving the excellence so that required economic outcomes could

be obtained from the help of the sector in Ethiopia by understanding the success and failure factors of profitability.

SIGNIFICANCE OF THE STUDY

Most of the studies previously focused on banks not on insurance companies as well as some focused on only analysis of financial performance not on factors affecting financial performance.Therefore, this study is expected to provide empirical evidence on the profitability of insurance companies in Ethiopia. Furthermore, many parties would benefit from the results that will emerge from the results of the study. Administration interested in identifying indicators of success and failure to take the necessary actions to improve the performance of the company and choose the right decisions. Government interested in knowing which companies operate successfully or failed to take the necessary measures to avoid crises of the bankruptcy in these companies. Investors interested in such studies in order to protect their investment, and directing it to the best investment. Customers interested in knowing the ability of insurance companies to pay their obligations based on the indicators of success of the companies. This study can contribute potentially serve as a stepping stone for further research in the area.

OBJECTIVES OF THE STUDY

The objectives of this study, will address one broad general objective and some more specific objectives just derived from the general objective and these are presented below.

GENERAL OBJECTIVE

The main objective of the study is to identify and compare the factors determining the financial performance of the Ethiopian insurance companies for the period of 2003 to 2011.

SPECIFIC OBJECTIVES

Based on the above general objective, we elucidate the following specific objectives: 1. To identify the main determinants of insurance companies' profitability.

2. To measure the extent to which these determinants exert impact on insurance companies' profitability.
3. To rank the factors according to their degree of influence on insurance companies' profitability.
4. To determine the relationship between these factors and profitability in insurance companies.

HYPOTHESIS

Based on review of relevant and related literatures, it is hypothesized that volume of capital, growth, age and size of company, leverage ratio, liquidity ratio and previous profitability are expected to influence firms' profitability as measured by Return on Assets (ROA). Accordingly, the following hypotheses were formulated in this study:

H1: There is a positive relationship between age and profitability of insurance companies in Ethiopia.

H2: There is a positive relationship between size and profitability of insurance companies in Ethiopia.

H3: There exists a positive relationship between any increase in volume of capital and profitability of insurance companies in Ethiopia.

H4: There is a negative relationship between leverage and profitability for Ethiopian insurance companies.

H5: There is a positive relationship between growth and profitability of Insurance companies in Ethiopia.

H6: Tangibility of assets of insurance companies and their profitability are negatively related.

H7: Liquidity ratio and profitability of insurance companies are negatively related.

RESEARCH METHODOLOGY

This study examines the previous findings in the literature, and applies the model in Ethiopian insurance companies. Therefore, a deductive approach is adopted by constructing an empirical model and hypothesizing its collinear relationship between determinants and its dependent variable: profitability of insurance companies in Ethiopia. To comply with the objective of this research, the paper is primarily based on quantitative research, which constructed an econometric model to identify and measure the determinants of profitability. Specifically, multiple regression analysis is adopted to measure the effect of determinants on profitability. The use of multiple regressions considers the simultaneous relationships amongst the multiple numbers of independent and dependant variables found across the regression model, therefore suited to the nature of the study.

The significance of the impact of the independent variables on dependent variables is, at the same time, highlighted in using multiple regressions. Multiple regressions are further utilized to examine the associative relationships between variables in terms of the relative importance of the independent variables and predicted values of the dependent variables. For the initial construction of the decomposed model an exploratory study was carried out through a search of the available literature to identify the exact components of the model.

Further literature search was conducted to find other factors which could potentially and clearly affect profitability of insurance companies in Ethiopia. By summarizing previous studies, liquidity, volume of capital, firm size, age, leverage, growth and tangibility of assets are selected to be included as explanatory variables in the model.

The secondary data sources for this paper are individual insurance companies annual reports that contain detailed consolidated balance sheets and income statements and National

Bank of Ethiopia, which can provide comprehensive database for all insurance companies. Given the research objectives coupled with research questions, it is considered that purposive sampling is employed so as to include all insurance companies established and serving with in the specified period of time from June 2003 to June 2011 and the size for sample is nine insurance companies operating over the period of 9 years as taken.

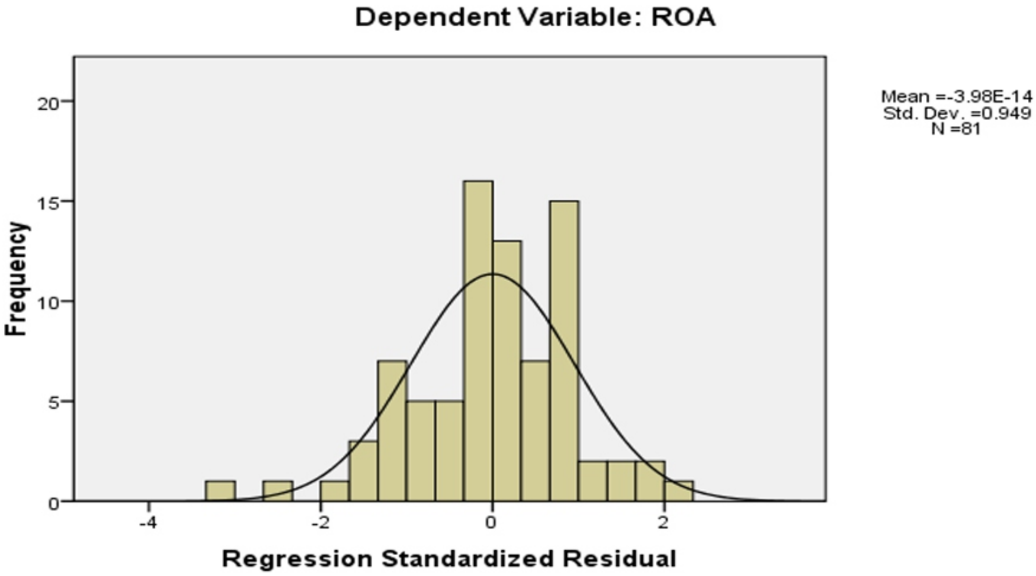
RESULTS AND DISCUSSIONS

The empirical results based on the linear regression to test the outcomes of the analysis for nine insurance companies in Ethiopia during the period 2003 to 2011. The investigation is with regard to the relationship between profitability as dependent variable and age of insurance companies, size of insurance companies, volume of capital, leverage ratio, growth rate, tangibility of company assets and liquidity ratio as independent variables.

NORMALITY OF DATA

Before running regression analysis, it should be noted that there are four classic assumptions in undertaking the regression analysis and one of them is normality of data. Therefore, normality test becomes relevant. The normality assumption is about the mean of the residuals is zero. Therefore, we used graphical methods of testing the normality of data. From figure 1 below, it can be noted that the distribution is normal curve, indicating that the data confirms to the normality assumption. In addition, the normal probability plots were used to test the normality of data as shown below in figure 1 and figure 2.

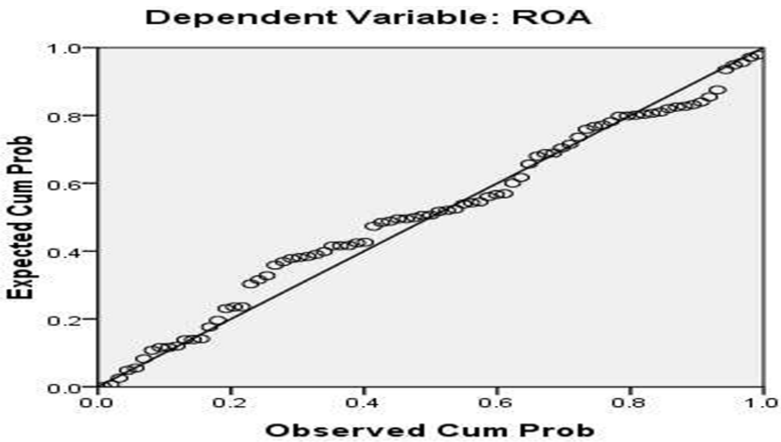
Figure 1: Histogram



Source: SPSS regression output

If the residuals are normally distributed around its mean of zero the histogram is a bell shaped. The shape of the histogram as shown above in figure 1 revealed that the residuals are normally distributed around its mean of zero.

Figure 2: Normal P-P plot of regression standardized residual



Source: SPSS regression output

Similarly, the above figure shows the normal distribution of residuals around its mean of zero. Hence the normality assumption is fulfilled as required based on the above two figures, it is possible to conclude that the inferences that the researcher will made about the population parameter from the sample is somewhat valid.

DESCRIPTIVE STATISTICS

Univariate analysis of all the variables in this study is represented as in the following table. The study presents the empirical test results that include the descriptive. It explores and presents an overview of all variables used in the study.

The table below (Table 1) shows that there are 81 numbers of valid cases or "N" for each variable.

Table 1 Descriptive statistics

	Mean	Std. Deviation	N
ROA	0.060254	0.0425792	81
LAG	0.062355	0.0445553	81
AGE	13.67	7.440	81
SIZE	18.720871	1.0561071	81
LEV	2.1274820	0.9355457	81
GR	0.181054	0.1809098	81
VOC	17.62280	0.8792137	81
TA	0.134005	0.0880514	81
LQ	1.968611	0.6913957	81

Source: SPSS descriptive statistics out put

The table 1 indicates that the mean values of all the variables ranges from minimum of 0.06 for ROA to a maximum of 18.7 for size. The average profitability as measured by ROA for Ethiopian insurance companies during the study period is about 0.06 and the value of the standard deviation for ROA is 0.04 which implies the presence of moderate variations among the values of profitability across the insurance companies. The mean value of age is 13.67 years and there are significant differences among values of age because the value of the standard deviation as shown in the table is 7.44 years. The mean value of size is 18.72. Therefore, with regard to size as shown in the table above, there exists significant variation across the sample insurance companies for the reason that the value of the standard deviation is 1.056107. Hence the highly deviated size among insurance companies may have significant impact on profitability of insurance companies that we are going to see in the regression results. The mean value of leverage is 2.127482 implies that there were moderate differences among the values of leverage as measured by debt to equity ratio across the sample insurance companies under this study and is because the value of standard deviation is 0.935546. The mean value of growth is 0.181054 and the value of standard deviation for the same variable is 0.180910 which shows that there were no significant variations among the values of growth as measured by the change in total assets over the years across the sample insurance companies.

The average value for volume of capital (VOC) has become 17.62280 with a standard deviation of 0.879214. Therefore, there exists very significance variation among the values of volume of capital across the sample insurance companies included in this study. Table 1 also shows that the mean value for tangibility of assets is 0.134005 and the standard deviation is 0.088051 implies that there exists moderate variation among the values of tangibility of assets in insurance companies.

Similarly the mean value of liquidity ratio is 1.968611 with the value of standard deviation 0.691396 which also shows us the existence of moderate difference among the values of liquidity ratio for insurance companies under consideration. Therefore, this study is conducted to what extent; the variations in factors affect the profitability of insurance companies in Ethiopia.

Table 2 White test regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.382[a]	0.146	0.064	0.00138718154

Source: SPSS regression output

Table 3 Chi Square calculated and tabulated

Test	t-statistics X^2 calculated $=nR^2$	X^2 (5% sig. level) $X^2\alpha(p)$, where $p=xi+1$
White's test	11.826	18.307

Source: SPSS regression output

The results from the table 2 and 3 above show that X2 square value obtained through calculation is less than the value of Chi square value from the table at 5% significant level. According to white test if the value of chi square calculated is greater than the chi square tabulated at a given significant level, we have to reject the Ho of no heroskedasticity otherwise we fail to reject it and accept the alternative that is there exists hetroskedasticity.

The t-statistics value (chi square calculated) from table 3 above is 11.826 which is less than chi square tabulated at 5% significant level, 18.307. Hence 11.826 is less than 18.307 so that we fail to reject the null hypothesis of no hetroskedasticity. In this case it is indicated that there is no evidence for the existence of hetroskedasticity.

CORRELATION ANALYSIS

The correlation coefficient represents the linear relationship between two variables. The most widely-used type of correlation coefficient is Pearson r, also called linear or productmoment correlation. The significance level calculated for each correlation is a primary source of information about the reliability of the correlation. The significance of a correlation coefficient of a particular magnitude will change depending on the size of the sample from which it was computed. Here, the analysis is with regard to significant correlations between the dependent variable and each independent variable separately, to decide whether to accept or reject the hypotheses.

Table 4 shows correlations between ROA and independent variables. Return on Assets is negatively correlated with leverage (lev) and liquidity (LQ). The coefficient estimates of correlation -0.015376 and -0.045734 for leverage and liquidity respectively. The result suggests that leverage and liquidity are independent of return on assets.

Table 4 Correlations between profitability and independent variables

	ROA	LAG	AGE	SIZE	LEV	GR	VOC	TA	LQ
ROA	1.000000	0.259071	0.222132	0.356744	-0.044616	0.257726	0.436393	0.090525	-0.056834
LAG	0.259071	1.000000	0.155454	0.254125	-0.038359	-0.285424	0.316130	-0.032067	0.099973
AGE	0.222132	0.155454	1.000000	0.478159	0.575873	-0.195013	0.743681	-0.092996	0.060831
SIZE	0.356744	0.254125	0.478159	1.000000	0.672534	-0.054147	0.971563	-0.182436	-0.083522
LEV	-0.044616	-0.038359	0.575873	0.672534	1.000000	0.076373	0.484409	-0.033366	-0.312444
GR	0.257726	-0.285424	-0.195013	-0.054147	0.076373	1.000000	-0.093431	-0.027489	0.020878
VOC	0.436393	0.316130	0.743681	0.971563	0.484409	-0.093431	1.000000	-0.217501	0.023037
TA	0.090525	-0.032067	-0.092996	-0.182436	-0.033366	-0.027489	-0.217501	1.000000	-0.435031
LQ	-0.056834	0.099973	0.060831	-0.083522	-0.312444	0.020878	0.023037	-0.435031	1.000000

Source: SPSS Output

The highest positive percentages are size as measured by total assets and volume of capital. The coefficients of correlations are 37.67% and 43.64% respectively and they are positively correlated with profitability as measured by ROA. This means that as these variables increase ROA also will increase. The table also shows that age and tangibility are correlated positively but it is not statistically significant at 1%, 5% and 10% significance level. Therefore, profitability is independent of age and tangibility of assets. The descriptive statistics also indicate two of the variables namely size and volume of capital are strongly correlated with each other with a coefficient estimate of 97%. Hence, there may appear multi collinearity problem and care should be taken with the results of regression analysis.

The correlation analysis shows that ROA is significantly correlated with size of company, leverage ratio, firm growth, volume of capital and liquidity ratio. The analysis also indicates that several independent variables are correlated with each other. For instance volume of capital is positively correlated with size of company and age of company as well. This observation indicates that special attention should be given to the possible problem of multi collinearity when regression analysis is executed.

TESTING THE HYPOTHESES BASED ON CORRELATION ANALYSIS

Table 5 correlation between independent variables and ROA

Hypotheses	Variable	Correlation coefficient (r)	P-value
1	AGE	0.22	0.15
2	Size	0.36	0.00
3	Leverage	-0.044616	0.0025
4	Growth	0.257726	0.02002
5	VOC	0.436393	0.0000
6	Tangibility of assets	0.0905	0.4216
7	Liquidity	-0.0597	0.0614

Source: SPSS output

The table 5 shows the results of the hypothesis testing and the following conclusions were drawn:

We found that there is no significant relationship between age and profitability as measured by ROA. Therefore, we do not accept the H1.

We can also see that size is positively correlated with ROA and this relationship is statistically significant. Hence H2 is accepted.

It shows that there is a significant and negative relationship between leverage ratio and ROA and therefore H3 is accepted.

The result shows that there is a significant positive correlation between firm growth and ROA. Hence H4 is accepted

The result shows that there is a significantly strong correlation between VOC and ROA. Hence H5 is accepted.

The result shows that there is no significant relationship between tangibility of assets and ROA. Hence H6 is not accepted.

The result shows that there is slightly negative correlation between liquidity and ROA. Hence H7 is accepted.

REGRESSION ANALYSIS

Table 6: Collinearity (model 2)

Model 2	coefficients		t	Sig.	Collinearity statistics	
	B	Std.Error			Tolerance	VIF
C	-0.395	.116	-3.415	.001		
LAG	.181	.091	1.999	.049	.778	1.285
AGE	.001	.001	1.215	.228	.301	3.230
SIZE	.026	.007	3.936	.000	.259	3.867
LEV	-0.030	.006	-5.154	.000	.419	2.387
GR	.104	.022	4.746	.000	.811	1.233
TA	.067	.046	1.409	.163	.719	1.391
LQ	-0.012	.077	-1.758	.083	.602	1.662

Dependent variable: ROA

Source: Random effect regression output of SPSS

From the table 6, for the model, excluding volume of capital, from the list of all regressors, the results show that variance inflation factor (VIF) value for all variables becomes less and the tolerance value for all variables is not near to zero. It indicates that this model is free from multi-collinearity. Hence, there is no problem of multi-collinearity between the variables in this model. Therefore regression analysis is done by excluding volume of capital from the model.

Table 7: Model summary (b)

Model	R	R^2	Adjusted R^2	Standard Error of the estimate
2	0.699[a]	0.488	0.439	0.0318967

Source: SPSS output

Empirical results provide detailed discussions on sample descriptive statistics and mean comparison between ROA and independent variables (age, size, leverage, growth, volume of capital, tangibility of assets and liquidity ratio) followed by correlation analysis to determine the relationship between dependent variable and towards independent variables. Regression analysis is also used to describe the profitability among insurance companies.

ROA is affected positively by firm size, volume of capital and growth but negatively by leverage and liquidity. Therefore, growth, leverage, size, volume of capital and liquidity are identified as determinant factors of profitability in insurance companies of Ethiopia. The findings of this study contribute towards a better understanding of financial performance in Ethiopian insurance companies. ROA and seven other variables that represent age, size, leverage, growth, volume of capital tangibility and liquidity were developed to test which factors best describes profitability of Ethiopian insurance companies.

The results show that growth, leverage, volume of capital, size and liquidity are the most important factors affecting profitability of insurance companies in Ethiopia respectively in order of their degree of influence. The results show that there is no relationship between profitability and age of company of the Ethiopian insurance companies. Similarly, the results show that there exists no relationship between tangibility of assets and profitability of insurance companies in Ethiopia.

CONCLUSION

The objective of this study is to examine the internal factors affecting profitability of insurance companies as measured by ROA. The results of regression analysis reveals that leverage, size, volume of capital, growth and liquidity are most important determinant of performance of life insurance sector whereas ROA has statistically insignificant relationship with, age and tangibility. As the findings shows that liquidity do have negative impact on profitability and it provides further implication on the effective risk management practices in the companies.

The positive relationship between size and ROA implies that size is used to capture the fact that larger insurance companies are better placed than smaller once in harnessing economies of scale in transactions and enjoy a higher level of profits.

Tangibility and age are not considered as powerful explanatory variables to define the performance of insurance companies in Ethiopia over nine years.

It is implied that highly profitable insurance companies are more likely relied on internally generated funds and equity capital than debt capital as the source of financing.

Well capitalized insurance companies face lower costs of going bankrupt, which reduces their cost of funding or that they have lower needs for external funding which results in higher profitability.

The positive and statistical significant relation between growth rate and profitability of insurance companies in Ethiopia implies that insurance companies with high rate of growth in terms of their total assets are also in a better position of being profitable.

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A STUDY ON MILLETS BASED CULTIVATION AND CONSUMPTION IN INDIA

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Introduction

" Millets are one of the oldest foods known to humans & possibly the first cereal grain to be used for domestic purposes ".Millets are small-seeded grasses that are hardy and grow well in dry zones as rain-fed crops, under marginal conditions of soil fertility and moisture. Millets are also unique due to their short growing season. They can develop from planted seeds to mature, ready to harvest plants in as little as 65 days. This is important in heavily populated areas. When properly stored, whole millets will keep for two or more years. Nature's Nutraceuticals Millets are highly nutritious, non-glutinous and not acid forming foods. Hence they are soothing and easy to digest. They are considered to be the least allergenic and most digestible grains available. Compared to Paddy rice, especially polished Paddy rice, millets release lesser percentage of glucose and over a longer period of time. This lowers the risk of diabetes...More here . Millets are particularly high in minerals like iron, magnesium, phosphorous and potassium. Finger millet (Ragi) is the richest in calcium content, about 10 times that of Paddy rice or wheat. Unlike Paddy rice and wheat that require many inputs in terms of soil fertility and water, millets grow well in dry regions as rain-fed crops. By eating millets, we will be encouraging farmers in dry land areas to grow crops that are best suited for those regions. This is a step towards sustainable cropping practices where by introducing diversity in our diets, we respect the biodiversity in nature rather than forcefully changing cropping patterns to grow wheat and Paddy rice everywhere.

India is the largest producer of Many kinds of millets, which are often referred as coarse cereals. However, realizing the nutrient richness of these grains they are now considered as" nutria-cereals. Small millets, as a group includes several grain crops namely finger millet (rage), kodo millet (varagu), and little (panivaragu). Though they occupy relatively a lower position among feed crops in Indian agriculture, they are quite important from the point of food security at regional and farm level. India is the largest producer of Many kinds of millets, which are often referred as coarse cereals. However, realizing the nutrient richness of these grains they are now considered as" nutria-cereals. Small millets, as a group includes several grain crops namely finger millet (rage), kodo millet (varagu), and little (panivaragu). Though they occupy relatively a lower position among feed crops in Indian agriculture, they are quite important from the point of food security at regional and farm level.

Small millets can be grown even in poor soil and climatic conditions. They have short growing season and can be very well fitted into multiple cropping systems both under irrigated as well as dry farming conditions. They can provide nutritious grain and fodder in a short span of time. Their long storability under ordinary conditions has made them "famine reserves". This aspect is very important as Indian agriculture suffers from vagaries of the monsoon. Minor millets or small millets as opposed to major millets (Maize, Jowar & Bajra) may be defined as millets cultivated for their small grains which are borne on short, slender grassy plants. In other words they refer to a group of small seeded cereal crops. The most important minor millets cultivated in India are: finger millet (ragi), proso millet, barnyard millet, italian millet, kodo millet, little millet, job's tears and, teff.

Of the total area of 23 million ha under millets ,small millets alone account for about 3.5 million ha; their cultivation extending from sea level in coastal Andhra Pradesh upto an altitude of 8000 feet above sea level in hills of Uttarranchel and North-Eastern states. Small millets have a capacity for wide adaptation. They can withstand a certain degree of soil acidity and alkalinity, stress due to moisture and temperature and variation in soils from heavy to sandy infertile. They are grown from the extreme southern tip of India at sea level to the temperate north Himalayan areas up to an altitude of 3000 metres with consequent variation in photoperiod from short to long days. That is why , it is important enhance production and productivity of these crops to ensure food and nutritional security. An attempt was made in this research paper for examine the actual cultivating areas and the importance of millet crops are analyzed from the data of ministry of agriculture, government of India and some other reliable sources.

Objectives of the study

The following ideas are the specific objectives of this paper.

1. To examine the area, production and productivity of millets in India.
2. To analyze the nutritional quality and advantages of millets for human consumption.
3. To identify the responsible factors limiting productivity of millets .
4. To give some effective suggestions to enhance cultivation area and production.

IMPORTANCE OF MILLETS

The rice eater is weightless like a bird; the one who eats Jowar is strong like a wolf: one who eats Raagi remains 'nirogi' [illness free] throughout his life - An old Kannada saying . India is on the threshold of discussing the Food Security Bill which will have far reaching implications for the poor and the marginalised, in their struggle to access food and nutrition to lead a dignified and healthy life. Millet Network of India has for long, taken the stand that we as a nation, should not just be settling for food security; we should be striving for food sovereignty. This implies that we focus on giving the control over the production, distribution and consumption of food back to the people. One of the steps in doing this would be to bring millets back into the food security debate; for millions of households in the dryland and hilly regions of the country depend on these crops to meet their food needs. We have for long been arguing that the introduction of millets into the public distribution system and into government food programmes like the mid-day meal scheme, is important to achieve the aim of food sovereignty. The recent Global Hunger Index ranks India 64 out of 81 nations. Further, India ranks second in the incidences of malnutrition among children. This is happening despite the universal public distribution system that we have been following for decades. The PDS is laudable in its intention, and no one can dispute the great service that it has been rendering in helping the poor and the marginalized households in meeting their food and nutrition needs.

However, the focus that it has laid over these decades, on rice and wheat at the expense of millets has been a telling factor behind these statistics. In the four decades since 1961, the area under millets declined by nearly 50% from about 18 million hectares to about 9 million hectares. During this time, production of millets declined from about 8.8 million tons to about 7.2 million tons; a decline of 18%. These statistics indicate that millions of households are unable to access affordable nutritious food anymore.

An Oath for Millets

For framing a safe earth and a safe climate, safe and nutritious food and, above all, an agricultural future that will keep our planet cooler, poison-free and full of happiness for all of us. We, the people of India, take the following pledge on behalf of our children and future citizens of India. We promise to grow more and more millets on our farms because we firmly believe that they are the future of food and farming for our country. We know that as our earth warms up, it is only millets that can keep the planet cool. We also know that as our climate changes for the worse, the millets on our farms will make it possible to continue agriculture on our earth. We know that if the population in India faces severe malnutrition, it is the millets that will help us to face the crisis. Millets, grown by the poorest farmers of India, braving the worst set of odds, are the best bet to win the future... In the knowledge of all the great advantages offered to us by millets, we pledge as farmers to grow millets on our farm; as consumers to put millets on our plates; and as citizens of this country to bring more and more people into the millet family.

The Concept Called Millets

Mr. PV Satheesh, National Convenor of Millet Network of India outlined the Indian millet landscape while drawing attention to the recent trends, politics and challenges faced by it and highlighting the theme that millets are not just grains but a unique concept. They are not merely individual crops such as Sorghum, Pearl or Foxtail millet but a special culture in food and farming. Millets are grown on marginal lands by some of the poorest and marginalised communities - the dalits, the adivasis and the women in the dry land and hilly regions. They do not demand any external inputs; Seeds, manure - all are farmers‟ own inputs. And most importantly, the know-how of their cultivation rests within the realm of farmers‟ knowledge, the most cherished input of all. Thus, millets symbolize the food and knowledge sovereignty of Indian farmers and ensure a life of dignity and self-reliance for them. He pointed out that most millet fields are inherently bio-diverse and that no real farmer grows millets as a mono crop.

They grow them in combination with a host of pulses, legumes, vegetables and oil seeds. A millet farm is a mirror of life in all its diversity and represents an assertion of life in all its robustness. It is this concept that underpins the work of MINI, whose singular focus is on recapturing the traditional biodiversity-based farming systems of which millets are a cornerstone. The members of MINI have been working for a long time to revive these traditional systems of agriculture. Now MINI is engaged in awakening the government to this message while trying to ensure that millets figure prominently in the Food Security Bill. Discussing the recent government Initiative for Nutritional Security through Intensive Millet Promotion (INSIMP) that the move deserves appreciation. However, the net work alerted the farmers to the dangers riddling the scheme, and also necessary to critique the dangerous focus on monocropping of millets. INSIMP has wrongly put a stress on the use of chemical inputs and millet hybrids. This, was completely antithetical to the very concept of millet farming because it compromises the independence of millet farmers by snatching away their control over their farming. „INSIMP is a false boon for the dry land farmers‟.

Threats on Millets Cultivation

The another major threat that millets face in the country in the form of an unnatural promotion of maize, which is resulting in maize invasion in various parts of the country. States like Rajasthan, Orissa, Madhya Pradesh, AP and Karnataka are witnessing large tracts of agricultural lands being occupied by maize, owing to the corporate-induced demand for bio-fuels and poultry feed. Millets are the last true „agricultural‟ crops and all steps must be taken by the state to conserve and promote them. Such an action will acknowledge and honour the great service rendered by millet farmers to the food and nutritional security of the nation. The best way for the State to do this is to offer support to farmers in the form of multiple bonuses and also offer other forms of institutional financial support. The most urgent and the strong context for giving such a priority to millets, is provided by the coming decades of „Climate Change‟ which confront us with three challenging scenarios. The first is rising global warming; the second, water scarcity that will acquire frightening proportions; and the third, the projected malnutrition that promises to engulf 70% of the Indian population, particularly the poor and the vulnerable sections. Being hardy and robust crops, millets can withstand and survive harsh climatic conditions. This makes them an ideal solution to the challenge of climate change. It is forecast that with the onset of climate change, wheat which is a thermal-sensitive crop would be hard-pressed to survive. At the same time, rice fields with 2"of standing water and heavy inputs of chemical fertilizers as required under the „Green Revolution‟ model of cultivation will release methane, a greenhouse gas into the atmosphere, thus rendering rice an utterly unviable crop! Many recent studies have pointed out that 20% of diabetes suffered by the poor in India is caused by the rice distributed and consumed through PDS. So, if we are serious in confronting this problem, we should look at millets for a solution. They must not be seen just as a diabetic food or health food. They do not merely heal our wounds and illnesses, but have the ability to heal our planet. This is what makes them great food crops.

Dr. Rama Naik emphasised the point that millets are among the most nutritious food grains available in India and that the people who consume millets on a regular basis are decidedly more healthy than those who do not. Those who consume millets are found to be fit even in their old age. Those who grew millets consumed very little of it. They sold millets to the urban centers to be consumed as health foods or "fast" foods and millets are not just good for curing diseases, but are good for the management and prevention of various lifestyle diseases like diabetes, obesity and so on. One of the major constraints, that processing facilities were not available at the community level. In order to address this units and found that millets were very expensive compared to rice and wheat. One of the reasons for this, that processing facilities were not available locally in villages. This was a gap that needed to be filled. All the farmers to grow and consume millets, in keeping with the oath that they had taken earlier in the day, because doing so would ensure the mental and physical health of one and all.

Advantages of Millets

All millets are cooked as rice after dehulling. In addition, Italian millet is consumed as stiff porridge called sargatic or as an leavened bread known as roti, after the dehulled grain has been milled into flour. Proso millet flour is also used as a substitute for rice flour in various snack foods. Millet protein lacks gluten, hence it is unsuitable as the sole material for preparation of bakery products. Mudde from millet flour is prepared by steaming the dough and making it into balls. Millet flours are soaked overnight in cold water containing a little butter milk and the slurry after fermentation is used to prepare porridge. Millets and black gram mixed in the ratio of 3:1 are wet ground and fermented overnight which can be steamed to make idli or baked on hot pan to prepare dosa or wet pan cakes. Non conventional foods like flakes, extruded products or by par boiling of millets, popping and malting, products can be prepared from millets. Flakes are prepared by soaking pearled millets in water and then steamed under pressure for complete gelatination of the starch and dried to about 18% moisture. Then they are pressed to requisite thickness between heavy duty rollers and dried to prepare flakes which hydrate quickly when added to warm water or milk. Noodle like products can be prepared from millet flours. They form nutritionally balanced food which is used as supplementary or weaning foods.

Table No:1. Trend of Actual Harvested Area, Production and Consumption of Millets in India

Years	Harvested Areas (in 0000'M.Ha)	Growth %	Production (in 0000'M.MT)	Growth %	Consumption(in 0000'M.MT)	Growth %
2001	12000	-7.87 %	900	0.00 %	900	0.00 %
2002	9000	-25.00 %	700	-22.22 %	700	-22.22 %
2003	13100	45.56 %	900	28.57 %	900	28.57 %
2004	11000	-16.03 %	800	-11.11 %	800	-11.11 %
2005	10500	-4.55 %	900	12.50 %	900	12.50 %
2006	10300	-1.90 %	900	0.00 %	900	0.00 %
2007	10800	4.85 %	1000	11.11 %	1000	11.11 %
2008	10000	-7.41 %	1000	0.00 %	1000	0.00 %
2009	10400	4.00 %	700	-30.00 %	700	-30.00 %
2010	11150	7.21 %	1200	71.43 %	1200	71.43 %
2011	10800	-3.14 %	1500	25.00 %	1500	25.00 %
2012	8500	-21.30 %	1200	-20.00 %	1200	-20.00 %

Source: Ministry of Agriculture, Govt.of India and United States Department of Agriculture.

From the table no.1 emphasized that the harvested area and the consumption of millets in India is gradually decreased in an alternative years of 2005-2008 and from the year of 2009 onwards the area harvested gradually increased and then 2011 it is come down to falling. On the other hand the availability quantity for consumption of millets was decreased in 2009 and from the year after 2009 its level goes on increasing and in the year of 2012 onwards comes to a falling rate of -20.00 percent.

Nutritional Value of Millets

The pearled grains soaked in water for 1-2 days, wet ground and the mash cooked, extruded and dried. It makes an excellent crispy product when deep fried. These products can be economically produced as a cottage industry, as it needs simple equipment and it requires low capital investment. Para boiling improves the quality and is also used to prepare expanded grains. Research work in this direction is extremely fruitful. Popping process is explained in the post harvest technology. The volume of popped millets ranges from 8-10 ml/gm and the expanded volumes of each millet during cropping is as follows: Proso millet -12 ml/gm; Kodo millet -11 ml/gm; Foxtail millet- 7 ml/gm; Little millet -7 ml/gm; Barnyard millet-7 ml/gm. Small millets are rarely used to produce starch for industrial uses. Their starches generally exhibit higher gelatinisation temperature, higher water binding capacity and slow in enzymatic hydrolysis than wheat and rice. Millets may also find use for formulating high fibre and diabetic foods.

Table No: 2 The Principal Field Crops of India :

Crop	Crop group	State with the highest area under cultivation (till 08-9)	Area (in thousand hectares)	State with highest production	Yield (in thousand tonnes)	Second highest yield
Rice	Cereals	Uttar Pradesh	6034	West Bengal	15037	13097 (UP)
Jowar	Cereals	Maharashtra	4071	Maharashtra	3587	1629 (KN)
Bajra	Cereals	Rajasthan	5175	Rajasthan	4283	1302 (UP)
Maize	Cereals	Karnataka	5175	Andhra Pradesh	4152	3029 (KN)
Ragi	Cereals	Karnataka	841	Karnataka	1394	193 (UK)
Small millets	Cereals	Madhya Pradesh	307	Uttarakhand	89	89 (MP)
Wheat	Cereals	Uttar Pradesh	9513	Uttar Pradesh	28554	15733 (PJ)
Barley	Cereals	Rajasthan	287	Rajasthan	878	276 (UP)
Gram	Pulses	Madhya Pradesh	2841	Madhya Pradesh	2786	981 (RJ)
Tur	Pulses	Maharashtra	1009	Maharashtra	605	315 (KN)
Other Pulses	Pulses	Rajasthan	2394	Uttar Pradesh	1148	830 (RJ)
Groundnut	Oilseed	Gujarat	1907	Gujarat	2661	1554 (AP)
Sesamum	Oilseed	Rajasthan	521	Rajasthan	153	133 (WB)
Rapeseed and mustard	Oilseed	Rajasthan	2388	Rajasthan	3806	874 (UP)
Linseed	Oilseed	Madhya Pradesh	126	Madhya Pradesh	48	27 (UK)
Castor	Oilseed	Gujarat	434	Gujarat	852	159 (RJ)
Cotton	Others	Maharashtra	3107	Gujarat	8787	4618 (GJ)
Jute	Others	West Bengal	596	West Bengal	8412	1253 (BH)
Mesta	Others	Andhra Pradesh	62	Andhra Pradesh	544	137 (BH)
Sugarcane	Others	Maharashtra	761	Uttar Pradesh	109048	60648 (MH)

Madhya Pradesh took the first place in the area cultivation and Uttarkhand state ranked in the highest production of small millets. The remaining field crops such as wheat , barley, and the various grams are ranked by the states name that are illustrated in the table format. The most important emphasized point from the table that Maharashtra ,Rajasthan and Karnataka are the top most states of millets cultivation in India.

The responsible Factors Limiting Productivity of millets Production of millets and small millets are subject to wide fluctuations and the area is declining. Excepting sorghum, peralmillet, and finger millet, no other millet have showed any improvement in their cultivable area. The major constraints are as follows:

1. Millets are grown on poor shallow and marginal soils under rainfed conditions. Some of these are still grown in the hilly areas under shifting cultivation which is one of the most primitive ways of crop production. The soils on which these crops are cultivated have low moisture retention capacity.
2. Seeds are often broadcast. This is a major bottle neck in taking inter-cultivation operation and effective weed control. The mixed cropping practices adopted by the farmers are mostly suited to sustenance agriculture and many of them are not remunerative.
3. They are often cultivated under unmanured and unfertilized conditions. Non adoption of improved varieties and timely agricultural operations like tillage, sowing, weeding and interculturing has resulted in reduced returns. Improved crop management practices are not adopted by the farmers due to socio-economic constraints.
4. Research on crop improvement and agro-techniques was neglected till recently. There is no organized programme for production and supply of seeds of improved varieties. There is no ready market for the disposal of surplus produce at a remunerative price. There is lack of extension and development support. Though a lot of research is done by All India co-ordinate Research Project on Millet Improvement (AICMIP) and State Agricultural Universities, still there is a need to intensify to increase the area and production of millets.

Suggestions to improving the millets cultivation

As millets and small millets are predominantly grown in marginal and sub marginal dry lands by poor farmers, the fluctuations in production not only bring hardship to farmers but also create instability in the total coarse cereal production. So, developmental effort should be made through minikit demonstrations and State Level Training Programmes. These would help in popularizing the newly released varieties among the farmers in replacing the low yielding local varieties. For this purpose, systematic follow-up action is required for the production of seeds at various stages, its processing and distribution. The improved seed either should be supplied free or subsidized by the Government. The role of non-monetary inputs such as line sowing, optimum row spacing, depth of seeding, optimum plant population per unit area, timely cultural practices for higher productivity should be explained and demonstrated to the farmers right in the field. Agronomic research should bring out efficient low-cost technology which is within the means of farmers and easy to adopt. Increased use of small millets in various ready-to-eat food products should be encouraged as it enhances their value and market price. Provide millets highest priority in the National Food Security Bill: Government of India should allocate at least 40% of its food security budget to millet based farming and food systems that will use millets as their major food component. Put millets into public food systems of India: Millets need to be integrated into the existing Public Distribution System (PDS) . Also introduce millet meals twice a week in the ICDS, school mid day meals, welfare hostels and such other schemes of the government.

Recognise millets as Climate Change Compliant Crops and promote their cultivation and consumption: Climate change will result in higher heat, drought, lower rainfall and water crisis as well as high malnutrition. For the ecological role they have played dryland farmers need to be recognised and granted monetary bonuses for biodiversity, water conservation and sustaining solutions against climate change. Investment on millet lands which apart from creating permanent investment for the poor can also create at half the cost of NREGA, double the employment days. Convert cultivable fallows into millet farms If the government works determinedly and helps the farmers to cultivate these lands and farm millets, the country will be able to produce a minimum of 25 million tonnes of millets,5 million tonnes of pulses and fodder that can feed an astounding 50 million heads of cattle. This is a huge opportunity. Start a massive educational and promotional programme on millets and the government must use its media campaign funds to take up millet promotion.

Conclusion

The impact of new methods of field demonstrations indicated vast potential for increase in yield due to new recommended technology. The yield level and income of farmers could be substantially increased by the adoption of recommended technology. Enhancement in yield was around 82 % in finger millet, 95% in little millet, 83% in kodo millet, 43% in foxtail millet, 76% in proso millet & 82 % in barnyard millet. Small millets despite low genetic potential, are grown because of socio-economic conditions of the farmers and assured income under low input conditions. Inclusion of legumes as component crops helped in additional legume yield leading to nutritional security of the family and improved soil productivity and health. Similarly the adoption of other key components like use of new high yielding variety, application of fertilizers etc. showed significant influence on the yield of the crop. All centres have met the indented requirements of the Department of Agriculture and Cooperation, Government of India, to produce breeder seed particularly in finger millet, kodo millet and little millet. Millets are easy to digest, contain a high amount of lecithin and are excellent for strengthening the nervous system. They have niacin, B6 and folic acid, and calcium, iron, potassium, magnesium and zinc. Millets are good for people who are gluten-intolerant. Its fibre content also helps prevent constipation and may reduce the risk of developing bowel disorders including bowel colon. Most executives work long hours with almost no exercise. Restaurants serve rich food with butter, oil and cheese which has led to various health ailments. "However, awareness about the inclusion of millets in our daily meals for healthy living to combat the effects of a more westernized, sedentary lifestyle is needed.

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The article should be in English. The grammar and style of the article should be of good quality. The systematized text should be without abbreviations (except standard ones). All measurements must be in SI units. The sequence of formulae is denoted in Arabic numerals in parentheses on the right-hand side.

Abstract and Summary

An abstract is a concise informative presentation of the article content for fast and accurate Evaluation of its relevance. It is both in the Editorial Office's and the author's best interest for an abstract to contain terms often used for indexing and article search. The abstract describes the purpose of the study and the methods, outlines the findings and state the conclusions. A 100- to 250-Word abstract should be placed between the title and the keywords with the body text to follow. Besides an abstract are advised to have a summary in English, at the end of the article, after the Reference list. The summary should be structured and long up to 1/10 of the article length (it is more extensive than the abstract).

Keywords

Keywords are terms or phrases showing adequately the article content for indexing and search purposes. They should be allocated heaving in mind widely accepted international sources (index, dictionary or thesaurus), such as the Web of Science keyword list for science in general. The higher their usage frequency is the better. Up to 10 keywords immediately follow the abstract and the summary, in respective languages.

Acknowledgements

The name and the number of the project or programmed within which the article was realized is given in a separate note at the bottom of the first page together with the name of the institution which financially supported the project or programmed.

Tables and Illustrations

All the captions should be in the original language as well as in English, together with the texts in illustrations if possible. Tables are typed in the same style as the text and are denoted by numerals at the top. Photographs and drawings, placed appropriately in the text, should be clear, precise and suitable for reproduction. Drawings should be created in Word or Corel.

Citation in the Text

Citation in the text must be uniform. When citing references in the text, use the reference number set in square brackets from the Reference list at the end of the article.

Footnotes

Footnotes are given at the bottom of the page with the text they refer to. They can contain less relevant details, additional explanations or used sources (e.g. scientific material, manuals). They cannot replace the cited literature.
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